AFRICA RECOVERY

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ECA SAYS GULF CRISIS HURTS MOST COUNTRIES

African economy posts upturn

By Ernest Harsch

Africa's economic performance in 1990 improved for a third year in a row, bolstered by a strong showing in agriculture. But like the previous two years, overall growth still lagged behind the population growth rate, thus bringing a further decline in per capita incomes, according to the UN Economic Commission for Africa (ECA).

The Gulf crisis has had a major impact across the continent, bringing higher costs and other economic difficulties to the majority of African countries that do not produce oil, as well as windfall earnings to Africa's few oil-exporting countries.

The pattern of modest growth is expected to prevail in 1991, but is not likely to improve significantly, the ECA says, given the current slowdown in the world economy, the poor prospects for Africa's commodity earnings and the continent's rising debt burden.

There was an increase in Africa's overall gross domestic product (GDP) of 3 per cent in 1990, ECA Executive Secretary Adebayo Adedeji said on 14 January in Addis Ababa, presenting the Commission's preliminary assessment for the past year. But in per capita terms, GDP actually fell by 0.2 per cent. "This means in effect," said Mr. Adedeji, "that the average African continues, for the twelfth successive year, to get poorer."

The mixed performance in 1990 comes despite intensifying efforts to restructure African economies and carry through policy reforms, said Mr. Adedeji.

Africa's overall growth rates mask considerable variations and disparities. The ECA estimates that the seven major oil-exporters earned $10.5 bn more in 1990 (of which $5.2 bn went to Nigeria) due to the oil price increase alone, not counting additional earnings from increased production. This helped push up the growth rate of these countries to an average of 3.5 per cent. For the other African countries, however, additional oil import costs amounted to $2.7 bn and their average GDP growth was only 2.5 per cent.

Mr. Adedeji observed that to date, with the exception of

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Africa voices commodity concerns

Gulf war deepens financing fears

Adjustment in Zimbabwe and Mauritius

UNDP's NaTCAP gains support

UN pushes for better skills transfer

By Nii K Bentsi-Enchill

A major United Nations programme is underway in 30 African countries to make more effective the quarter of aid to sub-Saharan Africa which is meant to develop national skills and transfer knowledge. The programme aims for African governments to take a central role in integrating this aid, known as technical co-operation, with their own development priorities. Ultimately, the programme, known as the National Technical Co-operation Assessment and Programmes (NaTCAP), will reduce Africa's dependence on costly foreign consultants by making increasing use of indigenous expertise.

Looking back over more than 30 years of technical co-operation, Pierre-Claver Damiba, Assistant Administrator of the UN Development Programme and Director of its Regional Bureau for Africa which designed NaTCAP, says that it "has largely been a major failure."

Major donors have also been making critical appraisals of the limited benefits derived thus far from technical co-operation. For example, the donors' policy forum, the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development, stresses the need for better planning and co-ordination of

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Le Nouvel Horizon

Calls for political reform were heard — and accepted —across Africa in 1990.

Growing pluralism changes the political face of Africa

Transformation in the political face of Africa accelerated sharply in 1990. More African governments introduced multi-party politics in the last year than in the previous 25 years combined. They did so primarily in response to popular demands and recognition that a wider popular base was needed to tackle the economic crisis.

The process and nature of political change will profoundly affect Africa's battle for economic recovery, its relations with donors and ultimately its place in World affairs. Full story page 8.

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OAU COMMON POSITION SETS OUT BROAD STRATEGY

Africa voices its commodity concerns

By Nii K Bentsi-Enchill

Proposals to reduce Africa's chronic dependence on commodity exports are likely to figure prominently in the review now underway of the continent's economic recovery programme. At the Organization of African Unity (OAU) and at the UN, important new recommendations have been made for diversification out of commodity exports, as well as for other wide-ranging reforms. However, initial donor reactions suggest that any far-reaching initiatives will continue to meet opposition. This was seen in a heavily diluted resolution on commodities adopted at the General Assembly in December, when donor countries objected to practical proposals on diversification from Tunisia and Uganda.

Africa's renewed concern over commodities arises from the continued downtrend in prices and poor prospects in the future. Last year, an Experts Group set up by the UN and chaired by Malcolm Fraser published a report on Africa's commodity problems which called for greater investment by African countries to maximize returns from the commodity sector as a basis for more diversified growth. This fell short of African hopes for more far-reaching reforms.

AFRICA RECOVERY

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J P Lafont

Coffee, Angola. Mounting world production of many of Africa's major commodity exports has hit prices in recent years. The OAU argues that greater investment could lead to further supply gluts.

In response, the OAU prepared the "African Common Position" on commodities, reflecting the region's concerns. It makes a series of recommendations for future action, including reforms in international trade. Both the Common Position and the Experts Group report were "noted with interest" by the General Assembly last December.

A central thrust of the OAU paper is for a Commodities Diversification Fund, to be set up in the African Development Bank, a proposal taken up in the General Assembly debate on Africa. Full international support for such a fund was of "the utmost urgency," declared Uganda's Ambassador to the UN Perezi Kamunanwire in November, presenting a proposal for a study into the fund. Other draft resolutions asked for two more comprehensive studies to be undertaken: the first would be an evaluation by the UN Conference on Trade and Development (UNCTAD) of the impact of technological advances on Africa's commodity sector; the second asked the UN Industrial Development Organization (UNIDO) to report next year on the capacity of Africa's commodity sector to supply enough inputs for the Second Industrial Development Decade.

However, informal and protracted negotiations with Western donor countries produced a resolution which, while recognizing the importance of diversification, stopped short of any agreement on concrete moves towards establishing the Fund or endorsing the UNCTAD/UNIDO studies. Instead, a study on diversification will be included in the UN Secretary-General's report to the September 1991 review of the UN Programme of Action for African Economic Recovery and Development (UNPAAERD, see page 3). In addition, the final resolution confirmed that commodities would receive "appropriate priority" in the work of the UN.

The OAU's Common Position sets out a new strategy for commodities. It calls for the relaunch of intensive international negotiations towards effective commodity agreements, with price support mechanisms that could be funded through the First Window financing facility of the UN Common Fund for Commodities. This fund aims to centralize the financing of price stabilization measures for a wide range of separate commodity agreements, and would require less resources than unco-ordinated commodity pacts.

International commodity organizations should also be strengthened, the OAU argues, and new ones created to design diversification projects and programmes financed from the Second Window of the Common Fund. During the General Assembly debate, the Nordic countries, as well as the European Community, urged that the Second Window of the Common Fund "become operative as soon as possible."

On the major issues of price instability and deteriorating terms of trade, the OAU calls for an "African Commodities Price Band". This would be composed of a basket of Africa's major and strategic export commodities, each of which would have a guaranteed price. A trigger price mechanism

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UN review of Africa programme gets underway

Initial assessments of the UN's economic recovery programme for Africa, now underway, suggests that a continuously hostile international economic environment and disappointing levels of external support have badly weakened the impact of the widespread reform effort carried out on the continent since 1986, when the programme began.

The General Assembly decided in December that a final review of the UN Programme of Action for African Economic Recovery and Development (UNPAAERD) will be held in the first half of September, immediately prior to its 46th session. An Ad Hoc Committee of the Whole, comprising all UN member states, will assess Africa's economic performance and prospects and subsequently propose concrete measures for Africa's future growth and development.

Already, speakers in the UN debate on Africa, held in November, and preliminary work carried out by a special agency taskforce on Africa point to the failure to meet many of UNPAAERD's goals. The General Assembly's debate on the critical economic situation in Africa set the tone for the UNPAAERD review with a sober assessment of the region's present situation. "The socio-economic situation in the continent remains precarious today despite the strenuous efforts that have been made," Uganda's Ambassador to the UN, Prof. Perezi Kamunanwire said. Dr. Chan Heng Chee, Singapore's ambassador, observed that more than 30 African countries have undertaken structural adjustment programmes "at enormous social and economic costs and great political risk." Their efforts, she said, should be "matched with appropriate support from the international community."

UNPAAERD, established at a special session of the General Assembly in 1986, represented "a unique compact and coalition between Africa and the international community," Uganda's President Yoweri Museveni, and current chairman of the Organization of African Unity (OAU), told the Assembly on 1 October. UNPAAERD established a detailed programme for African economic recovery, costed at $128 bn, under which African countries agreed to undertake extensive economic reforms, set new priorities in their development plans and mobilize over 60 per cent of the resources needed. The international community, for its part, promised full support for UNPAAERD, including contributing to the programme's estimated financing shortfall of some $9 bn a year (in 1985 dollars).

"That global coalition has not been sustained as the crisis in Africa, rather than abating, has become worse," President Museveni declared.

Ambassador Hugo Navajas-Mogro of Bolivia, speaking on behalf of the developing countries' Group of 77 in the November General Assembly debate, voiced a common view when he stressed that the basic goals of the UN Programme of Action have not been attained. Nor were there any grounds for optimism, he said, given the difficult external circumstances Africa faces.

Norwegian report

Former Norwegian Development Co-operation Minister, Tom Vraalsen, who as his country's ambassador to the UN chaired the UNPAAERD Mid-Term Review in 1988, presented an initial analysis of UNPAAERD to a mid-December meeting in Ottawa of the UN's Inter-Agency Task Force (IATF) which tracks implementation of the Africa Recovery programme at the operational level. The report* by Jan Isaksen concluded that while nearly all African countries have attempted to meet their UNPAAERD commitments, the international community "has definitely not carried out its part of the deal." Policies which could have helped foster a more conducive international trading and financial environment have not materialized.

UN/John Isaac

The "global coalition [from the 1986 UN session] has not been sustained as the crisis in Africa, rather than abating, has become worse," Uganda's President Yoweri Museveni, chairman of the Organization of African Unity, told the UN's General Assembly in October.

During the period of UNPAAERD, Africa's economic problems have remained profound, if not deepened, the report said. Export prices have fallen, the debt service burden has risen, agricultural growth has remained sluggish, efforts at industrializa-

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IDRC

Canada's External Affairs Minister Joe Clark at the IATF meeting in Ottawa. To his left, Adebayo Adedeji, Executive Secretary of the UN Economic Commission for Africa.

* *What did UNPAAERD accomplish? A review of development in African economies 1986-1990* by Jan Isaksen, Christian Michelsen Institute, Fantoft, Norway, November 1990.

READEX FICHE

WORST EMERGENCY SINCE 1984-86 FAMINES

War, drought bring food crisis

By Paul Mitchell in Rome

Food aid needs for sub-Saharan Africa in 1991 will probably exceed those during the severe drought years of 1984-86, according to estimates released by the UN's World Food Programme (WFP). The region will need at least 3.9 mn tonnes of emergency food aid, to cover more than 27 million people, a majority of whom are in Ethiopia, Sudan and Mozambique.

However, conflicting demands for food aid internationally, coupled with a low state of readiness to quickly shift emergency supplies, have increased fears among relief agencies and the stricken countries themselves that the response will be slow and inadequate.

In appealing to donors to provide urgent food aid, WFP's Executive Director, James Ingram, emphasized, "People affected by drought, war and pestilence in the developing world rely totally on the international community for their food. Without it they will die."

Mr. Edouard Saouma, Director-General of the UN's Food and Agriculture Organization, has also warned that famine looms once more in Africa, despite a record 1990 cereal harvest worldwide. "For the first time in four years, the world will produce more food than it consumes and can begin to replenish cereal stocks," he said in an end-of-year assessment. "However, as happened in 1989, the increases are mainly in developed countries. The situation in large parts of sub-Saharan Africa is deteriorating."

According to the WFP's annual forecast of global emergency food aid needs, even the provisional estimates of this year's requirements — which are expected to rise — will be higher than the combined amount of emergency food assistance Africa received in 1988 and 1989 (2.1 mn tonnes and 1.1 mn tonnes, respectively).

World Food Programme/Jeff Share

Displaced southern Sudanese women waiting for the distribution of food rations. Food donations may not be enough to meet Africa's mounting crisis.

The severe drought which stretched across the Sahelian zone in 1990 means that significant emergency food is needed throughout the region for the first time since the 1984-86 drought. While total requirements are not known, as assessment missions have not yet completed their work, the preliminary conclusions are sobering. Besides Sudan, Burkina Faso has appealed for 100,000 tonnes of food aid for about 2.5 million people, while neighbouring Niger is estimated to need 160,000 tonnes. Chad, which has been affected both by drought and a recently concluded civil war, has issued an appeal for 150,000 tonnes in food aid.

One feature of many of the food emergencies across the continent has been their connection with civil strife, further slowing and complicating the delivery of food assistance. Before the civil war in Liberia started at the end of 1989, neither that country nor the surrounding countries of Guinea, Côte d'Ivoire or Sierra Leone had required emergency assistance.

The wars in Ethiopia, Sudan and Mozambique have dragged on for many years, and the problem of long-term refugees in all three countries continues.

On the positive side, however, the UN has had greater success in forging agreements allowing emergency food aid to cross combatants' lines; the "corridors of tranquility" that were first negotiated in Sudan have now been followed by similar agreements in Ethiopia and Angola. This means that more people can now be reached, and places a greater demand on donors to provide food aid to people who could not previously be assisted.

SUDAN is facing a catastrophic crisis in 1991, with drought in the northern regions coming on top of a continuing civil war in the south. A minimum of 7.7 million people are estimated to be in severe need, requiring nearly 1.2 mn tonnes in emergency food assistance. Sudan has little hard currency with which to purchase food.

In addition, the civil war in the southern part of the country will leave many more millions affected. The UN's Operation Lifeline Sudan, a co-ordinated emergency relief operation first launched in 1989, delivered 65,200 tonnes of food aid in 1990, mostly in the south, despite disruptions caused by the war. The Operation will need to continue into 1991, although Sudan's ongoing internal conflict and the regional repercussions of the Gulf crisis may make sustained food deliveries difficult.

Neighbouring **ETHIOPIA** too faces a combination of severe drought and warfare, particularly in Eritrea and Tigray, the areas of the country that have seen the greatest military action. Needs for Ethiopia are estimated at 941,000 tonnes for about 6.2 million people affected by natural disasters and 425,000 internally displaced persons. An additional 192,000 tonnes for 800,000 Sudanese and Somalian refugees in Ethiopia will also be needed (the severity of

Major emergencies

- Angola, Ethiopia, Liberia, Mozambique, Somalia, Sudan and other Sahelian states.
- At least 3.9 million tonnes of emergency food aid needed.
- More than 27 million refugees, displaced persons and other people affected.

See main text for details.

Paul Mitchell is Chief of Information of the World Food Programme.

Somalia's civil war has thus far prevented any assessment of emergency food needs within that country).

The recent accord reached by the World Food Programme with the Ethiopian government and the Eritrean People's Liberation Front (EPLF) to open the rebel-held port of Massawa for emergency food aid shipments will go a long way towards assisting the estimated 2.2 million people in need of food aid in Eritrea. The first WFP-chartered relief ship was able to unload 10,000 tonnes of wheat at Massawa this January. There already was an ongoing operation through Sudan into Wollo and Tigray provinces, as well as an airlift into the government-held Eritrean capital, Asmara, in which more than 30,000 tonnes of food have been delivered in more than 1,000 flights.

In **ANGOLA** an agreement was reached between the government and the rebel UNITA forces to allow relief supplies to cross their lines, and the first convoy in a new UN-directed operation left for drought and war-induced famine areas in early November, although the military situation has led to some disruptions in the operation. UN Secretary-General Javier Pérez de Cuéllar has issued an urgent appeal for $104 mn to meet basic food, shelter, medical and logistic requirements into mid-1991, to cover an estimated 1.9 million displaced people in nine of Angola's 18 provinces.

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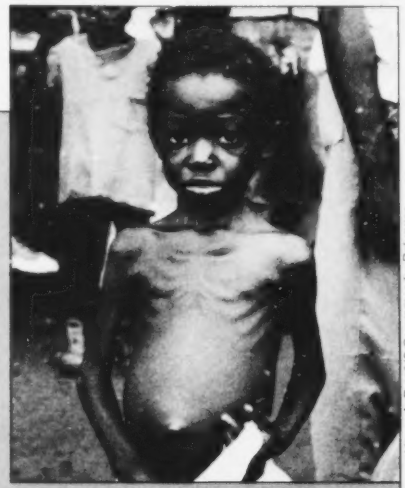

Hiram A. Ruiz/US Committee for Refugees

Child waiting in food line in Monrovia. The UN has appealed for urgent supplies.

Massive hunger in war-stricken Liberia

By Ernest Harsch

Well over half of Liberia's population of 2.6 million has either fled the country or been displaced internally by a traumatic civil war that began in December 1989. Lost harvests, the disruption of most commercial activity and the physical destruction of health facilities and vital infrastructure have brought severe suffering to most other Liberians as well.

In a 5 December 1990 appeal for urgent humanitarian assistance for civilians in Monrovia, the Liberian capital, UN Secretary-General Javier Pérez de Cuéllar highlighted the plight of the city's children, about 120,000 of whom were without food, health care or water. Because of extreme malnutrition, many thousands of children were "frail skeletons" unable to hold themselves up, said the Secretary-General. The UN Children's Fund (UNICEF) has estimated that 80 per cent of Monrovia's children are severely malnourished.

About half of the Secretary-General's $13.8 mn international appeal was for emergency food relief for 350,000 people in Monrovia, and the remainder for medical supplies and facilities and restoration of water and sanitation services in the city. UN relief operations are being carried out in collaboration with external non-governmental organizations such as Médecins sans Frontières-Belgium and Catholic Relief Services and with a recently formed Liberian group, Special Emergency Life Food (SELF), which has organized a network of 1,000 volunteers to distribute food aid.

The donor response to the Secretary-General's appeal has been slow, however, a concern that was voiced by Liberia's UN Ambassador William Bull at a 22 January Security Council meeting. The Council, which commended the efforts of the Economic Community of West African States (ECOWAS) to promote a peaceful resolution of the Liberian conflict, also reiterated the call for "increased humanitarian assistance to the people of Liberia."

As of year's end, the military situation in the rest of Liberia was still uncertain, thus preventing sustained or co-ordinated relief operations. Of the 1.2 million displaced Liberians within the country, only half were reachable. As soon as conditions permit, UN agencies will make an assessment of the emergency requirements in the country as a whole, as a basis for a more comprehensive appeal for international assistance. From what is already known, that need will be great.

Few Liberians were able to farm over the past year, with Nimba and Bong counties, the main rice producing areas, the hardest hit by the war. So despite good weather, the late-1990 harvest was especially poor. According to Terry Lewis of the UN Disaster Relief Organization, even if farmers can return to their fields before the next planting season in April 1991, there will not be another harvest until October.

The most sustained relief activities thus far have been directed at the 750,000 Liberian refugees in neighbouring Guinea, Côte d'Ivoire and Sierra Leone. Each country has established an interministerial emergency co-ordinating committee. Through the end of 1990, some $110 mn to $120 mn in aid had been pledged, committed or programmed, a majority of that amount by the US, which has had close historical ties with Liberia.

Because of the prolonged nature of the Liberian conflict, the relief appeals placed greater emphasis on supplementing food aid with longer-term assistance, such as health care, help in setting up schools, and supplying hoes and other farm implements to enable refugees to grow their own food.

Many refugees have also received help from the local populations. Rather than being confined in separate camps, thousands have been taken in by rural villagers, who have shared their own meager resources with the Liberians.

Over time, however, the continued presence of such a large refugee population has placed increasing strains on the peoples and resources of Guinea, Côte d'Ivoire and Sierra Leone. The fragile health and sanitation systems have been overwhelmed in the rural regions where the refugees are concentrated. Existing food stocks have been depleted and food prices on the local market have consequently been driven upward. Excessive use of firewood has accelerated the depletion of forest areas.

According to Guinean President Lansana Conté, "important resources earmarked for funding investment and economic recovery programmes and the improvement of the people's social life have had to be diverted in order to face the situation." For this reason, Guinea, as well as Côte d'Ivoire and Sierra Leone, have urged donors to provide additional assistance to the local populations affected by the refugee influx.

UNICEF: $7 BILLION A YEAR REQUIRED IN AFRICA

Needs spelled out for attaining children's summit goals

The ambitious targets set by the World Summit for Children for improving child health, nutrition and education by the year 2000 are attainable, argues the UN Children's Fund (UNICEF) in its annual report, *The State of the World's Children 1991*. But to accomplish the task world leaders will need to match their promises with the requisite political will and resources.

The September 1990 summit — which drew 71 presidents and prime ministers to the largest ever gathering of heads of state and government — adopted a Plan of Action setting a wide range of specific targets to be reached by the end of the decade (see box). The attendance at the summit demonstrated how far UNICEF has been able to move the issue of children's well-being from merely a humanitarian and social concern toward a central element in political and economic policy-making by governments.

While noting that it is virtually impossible to calculate the overall financial costs of such an undertaking, UNICEF ventures a "best guess" estimate of an additional $20 bn a year over the decade for health, nutrition, education and water and sanitation programmes. In a separate publication, *Africa's Children, Africa's Future*, UNICEF places this amount at $7 bn a year for sub-Saharan Africa, about half of which will be expected to come from the countries themselves and half from external sources.

To put this amount into perspective, UNICEF notes that the $7 bn needed to reach these basic goals is less than the $9.7 bn that sub-Saharan Africa had to spend on debt servicing in 1989.

UN Africa Recovery/Betty Press

New-born child being weighed at health clinic in Lomé, Togo. Improvements in immunization have saved the lives of millions of children in Africa.

Without these resources, Africa's high child mortality rate will continue, leading to 40 million more young child deaths over the decade. Africa's share of global infant and child deaths will rise to 40 per cent by the end of the century — up from 15 per cent in 1950 and 30 per cent in 1986.

If the resources are made available, however, progress toward achieving the summit's goals can build on the improvements that already have been registered over the past decade, despite limited funding and grave economic difficulties throughout much of the developing world. For example, when the World Health Organization just over 10 years ago set the target of immunizing 80 per cent of the developing world's children against the main childhood diseases, only 15 to 20 per cent of children were then being immunized. It is expected that when the final results for 1990 are available, that goal will have been reached.

UNICEF estimates that the lives of 2.5 million children were saved in 1990 thanks to this immunization drive. But another 2.5 million died from diseases which vaccines could prevent. Many of these were African children. Of the 44 countries with "very high" mortality rates for children under five (140 or more deaths per 1,000 births), 34 are in Africa.

Such high child death rates are one factor inhibiting efforts to reduce high fertility rates, observes the *State of the World's Children*. But in countries where the under-five mortality rate falls below 140 per 1,000, the report notes, the fertility rate also often begins to decline, as parents acquire greater confidence that their children will survive and thus become more open to family planning.

Hunger and poverty also continue to afflict many millions of children in the world. Some 30 million African children are malnourished, or 26 per cent of all children on the continent.

Even under the difficult circumstances confronting Africa and other developing regions, the UNICEF report states, some progress can be made toward improving conditions for children through a more focused and effective use of existing resources. Many of the technologies and methods

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Targets for the year 2000

Among the main goals set by the World Summit for Children for the end of the 1990s:

- Child deaths to be cut by one-third.
- Child malnutrition to be halved.
- Basic education for all children and completion of primary school for at least 80%.
- Maternal deaths to be cut by half.
- Family planning to be available to all couples.
- Deaths from diarrhoeal disease to be cut by half.
- Pneumonia deaths to be cut by one-third.
- Measles deaths to be cut by 95%.
- An end to neonatal tetanus.
- Eradication of polio.
- Elimination of guinea worm disease.
- Near elimination of vitamin A and iodine deficiency disorders (which cause blindness and mental retardation, respectively).

Other targets include additional improvements in women's health and nutrition, reduction of the incidence of low birth weight to less than 10 per cent, provision of safe water and sanitation for all families and a doubling of the adult literacy rate.

INCREASED AID NEEDS COULD BECOME VICTIM OF GULF WAR

Donors struggle to boost African financing

By Roy Laishley

War in the Gulf has deepened fears over the extent of international support for Africa's economic recovery. Already, higher oil prices and slower growth in industrial countries has badly hit the terms of trade for the majority of countries in the region. But, as the UN and other international agencies struggle to marshall the increased financial resources needed to generate faster growth on the continent, new demands for extra cash are inundating the few countries perceived to have surplus funds available.

In October, the World Bank succeeded in securing up to $8 bn from donors in additional funding for the second phase of its Special Programme of Assistance for Africa (SPA). This, however, does little more than maintain in real terms resources available under the earlier scheme.

With many adjustment programmes struggling to stay on track in the face of ever-falling commodity prices, even before the Gulf crisis, only a significant injection of additional resources into the region can prevent a further deterioration in the finances of most African countries, UN officials say. This was a tough proposition before the outbreak of war. The World Bank recently warned that "it is not obvious" that the amount of aid needed "will be forthcoming in the form and on terms commensurate with Africa's absorptive borrowing capacity."

Analysis from the Organization for Economic Co-operation and Development (OECD), which groups the leading industrial countries, gives the same message. Future aid growth, at best, will be "modest" and Africa will have to fight for a bigger share if even a minimal target of a 1 per cent rise in per capita incomes is to be met.

Appeal for more funds

In early January, UN Economic Commission for Africa (ECA) Executive Secretary Adebayo Adedeji made an appeal "for special and immediate measures" to alleviate the impact of the Gulf crisis on African countries. He pointed out that, with the exception of Egypt, no special measures had been taken to help Africa.

But the war has sharply increased the demands for such extra help. An estimated $40 bn has been donated by Japan, Germany and the Gulf states to the military costs of the US-led coalition against Iraq. In addition, they have contributed some $13.5 bn towards easing the economic costs of the conflict. The vast bulk of the economic aid is earmarked for the so-called 'front-line states' of Egypt, Jordan and Turkey. Egypt has already reportedly received up to $3 bn in direct grants. Israel has in turn warned that it will require "billions" more in aid as a result of the war. Even emergency aid could be affected. European aid agencies report that donations for recent appeals for African emergencies are down.

UN Africa Recovery/Betty Press

Traffic grinds to a halt in Tanzania. Rising oil prices have added to Africa's mounting transport problems, hitting the distribution of goods and marketing of crops.

UN agencies, such as UNICEF and the UN Disaster Relief Organization, are assessing the new requirements of Gulf-affected countries. International financial institutions have also made contingency plans for additional disbursements. By end-1990 World Bank staff had drawn up an emergency plan to place over $1 bn in extra funding into all Gulf-affected countries during its current financial year, which ends 30 June. These plans are now being reassessed in the light of the war.

Bank officials say, however, that up to 25 African oil importers could benefit from a mix of intensified policy advice, accelerated disbursements of Bank credits and, possibly, earlier and faster commitments of SPA money from bilateral donors. Earlier mooted possibilities of additional voluntary contributions to the Bank's soft-loan, International Development Association (IDA), are on hold, *Africa Recovery* understands, as the Bank assesses additional requirements on a country-by-country basis.

Egypt and Morocco are a particular focus of donor support. Both are considered 'most immediately impacted' countries. Egypt has already been promised the benefits of generous debt relief, as well as increased aid; the US has cancelled some $7 bn in military debt and Kuwait and Saudi Arabia another $6.5 bn. Agreement with the International Monetary Fund (IMF) on an economic reform package, expected in late January, would produce further debt relief and more funds. Morocco is likewise expected to gain from increased aid, though additional World Bank support is expected to concentrate on accelerating disbursements and increased meeting of local costs.

In November, the Fund announced a series of measures to allow it to increase lending. Officials estimate that disbursements in 1991 to all Gulf-affected countries could be $3-5 bn higher as a result of the measures it has now taken.

The IMF hopes it will be able to cope with the additional support needed through "adaptation" of its existing facilities. These include permitting countries to borrow a higher share of their quota in the Fund. Already Kenya has received an extra SDR 20.2 mn ($28 mn) in the second tranche of funding under the second year of its enhanced structural adjustment facility (ESAF), and Ghana could get a similar amount by late-February.

Kenya has also received a "waiver" on some of the performance criteria under its ESAF, as has Côte d'Ivoire under its interim standby arrangement. IMF officials say the

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RESPONSE TO ECONOMIC DEMANDS, POLITICAL PRESSURE

Political liberalization builds in Africa

Cameroon Tribune

Woman voting in legislative elections in Cameroon. In December the National Assembly passed a new law for officially recognizing opposition parties.

By Salim Lone in Cairo

The pace of economic and political reforms in Africa intensified dramatically in 1990. Goaded by popular pressure, their own need to mobilize energies and resources for economic growth and a radically changed international environment, more governments introduced multi-party politics in the last year than in the previous 25 years combined. Even such determinedly single-party states as Côte d'Ivoire, Mozambique, Algeria and Benin ushered in pluralistic forms of government, complementing their market-oriented policy reforms.

The changes that swept across the continent in 1990 took place largely out of the view of the rest of the world, whose attention was riveted first on the upheavals in Eastern Europe, and then on the Gulf crisis and war. These events will profoundly restructure both the world's economy and its priorities, and there is growing fear at the United Nations that this will further marginalize Africa and divert resources away from the continent, thereby imperilling the current reforms. As UN Secretary-General Javier Pérez de Cuéllar stated in a 14 January report, "Developments in 1990 confirm that the system of international economic relations is in a process of fundamental transformation.... The contours of a new system that can meet and reconcile the interests of the world's nations and promote international development remain unclear."

Donor pressure

At the same time, influential donor countries during 1990 began to link their level of assistance to African countries to the amount of political pluralism they perceived to be appropriate. Zaire, Kenya, Sudan and Somalia were among the countries which saw their aid being reduced on this ground by the US, Norway, Belgium and Denmark. The United Kingdom and France also announced similar orientations to their future aid programmes, although they have not so far implemented this stand in any discernible manner.

The African drive for greater pluralism and accountability in its political systems was spurred by the democratic revolutions in Eastern Europe, and boosted powerfully by the dramatic release of Nelson Mandela and the legalization of political parties in apartheid South Africa in February.

But the process of enlarging political freedoms was initiated in some African countries before these events. In 1989, the UN Economic Commission for Africa's (ECA's) "African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation" was issued and adopted by the Organization of African Unity. It explicitly linked Africa's prospects for economic recovery to the introduction of democratic reforms. The ECA also organized, at the urging of African grassroots organizations, a major international conference on that theme in Arusha, Tanzania, last February, which adopted a far-reaching "African Charter for Popular Participation in Development".

That and other conferences and meetings made clear that African political systems were in crisis, often unable to respond to the variety of urgent economic needs of their people, and that the prospects for external resources to ease this crisis were gloomy. Given this, mobilizing both the energies and resources of the general population is seen as an important determinant in reviving economic growth.

Agitation for greater political freedoms is not new in Africa, but on the whole, states had previously managed to contain it in one manner or another. However, as Ambassador Olara Ottunu, President of the International Peace Academy, said in remarks to the development committee of the UN in December, "what is new is the sense of confidence and legitimacy with which the democratic demand is being made."

Governments agree to reforms

That, and the diverse developments and influences referred to above, were instrumental in ensuring that most countries faced with the demand for political change in 1990 acceded to it without trying to suppress it by force. In country after country, governments responded to large-scale demonstrations, general strikes, bread riots or violent upheaval by formulating, or agreeing to the need for, multi-party constitutions.

A few countries, such as Kenya, resisted this trend, arguing that multiple parties would divide their people along ethnic lines. But domestic critics counter

that such divisions have festered in single-party states.

The single most important reason for government movement in the direction of multiple parties is the obvious pressure for such change. But analysts agree that leaderships have come to recognize that the current political organization of most states is not capable of responding to the twin challenges of continuing economic decline and of a radically changing international economic and political system.

These world changes are expected to lead to a decline in the external assistance that has been seen as a crucial element of Africa's efforts to revive economic and social growth. Even before the invasion of Kuwait by Iraq on 2 August unleashed a chain of events with far-reaching international repercussions, it was clear that it would no longer be possible to mobilize the kind of external attention and resources from which Africa benefitted in the mid-1980s, when the first major famine and then, in 1986, a Special Session of the United Nations put the continent firmly at the top of the international development agenda.

The democratic revolutions of Eastern Europe and the need to financially support their market reforms rapidly pushed Africa down the list of Western priorities.

The democratic revolutions of Eastern Europe and the need to financially support their market reforms rapidly pushed Africa down the list of Western priorities. Indeed, it quickly became clear that the much-awaited "peace dividend" — resources freed by the ending of the Cold War arms race — would be directed, ironically, not towards the poorest countries but back towards the very region with which the West had been involved in a major political struggle.

The ending of the Cold War also stripped the continent of whatever strategic significance super-power rivalry once provided. To quote Stephen Rosenfeld, an editor of *The Washington Post*, the US "loses interest by virtue of having won the Cold War.... [Poor countries] stand a fate worse in some aspects than being fought over — being ignored." Added to this is Africa's puny — and still declining — contribution to international trade, which has made it seem less and less relevant to the economic growth of richer nations.

More recent developments are making it even harder for the West to focus on African

Interview with US Assistant Secretary, Herman Cohen

Economic reforms need backing of political change

The full benefits of economic reforms will not be experienced in African countries until they have liberalized their political systems, US Assistant Secretary of State for African Affairs Herman Cohen argues.

In an interview with *Africa Recovery* during the African-American Institute conference in Cairo in early January, Mr. Cohen said he disagreed with the proposition that World Bank and IMF-supported economic reforms in Africa were not working. "On the whole, structural adjustment programmes [SAPs] are working," he said. But he acknowledged that in some cases their full benefits would not be realized until a country liberalized its political system.

Margaret Novicki

Herman Cohen, US Assistant Secretary of State for African Affairs.

"The resulting stability and confidence would help translate the stabilization and fiscal balances that these SAPs have brought about into increased investment, both local and foreign." Ghana was one of those countries which had shown strong commitment to economic reforms. But Mr. Cohen agreed that the country had not succeeded in mobilizing the domestic and foreign investment which was the key to self-sustained growth. He was confident that political liberalization would provide the much-needed impetus for such investment.

On political changes favoured in Africa by the US, Assistant Secretary Cohen said that the one-party state had been a failure in meeting the needs of the people. There had, until recently, been a few exceptions — such as Côte d'Ivoire and Kenya — but the majority of African countries had ended up in the Eastern European mode, where the absence of accountability inherent in a single-party state had resulted in corruption, non-productive economies and falling market shares of export commodities.

According to Mr. Cohen, it is not fruitful to talk of "multi-party democracy in the African context, since that is essentially a Western term." But the changes that were needed should bring about greater popular participation, providing greater choices to people "who should be able to change their leadership if they so desired."

Mr. Cohen emphasized that there was, thus far, no formal linkage between US aid and the kinds of political changes that the donor countries generally favoured. At the moment, he said, economic performance was the more direct link to assistance. He recognized pluralism could not be introduced overnight, but nevertheless the formal linkage on pluralism was not too far away. Despite the absence of such a link, he said, the US had substantially increased its aid to Benin because of the political reforms introduced there last year.

As for the decision by the US Congress to cut all official aid to the government of Zaire for alleged human rights' abuses, Mr. Cohen said he would have preferred to link the provision of assistance to the introduction of specific reforms. But he pointed out that the only real cut that resulted from Congressional action was in military aid, since the bulk of other US aid had in any event been previously channelled through local non-governmental organizations.

In Kenya's case, he said only military aid had been suspended for political reasons. Economic assistance was continuing, and was helping promote decentralization and to reducing the role of the government in the economy.

In response to a final question about some of the tough conditions being attached to economic assistance, Mr. Cohen said he "was very willing to listen to African governments on what aspects of their structural adjustment programmes were not working or were causing special hardship."

Information Ministry, Mozambique

Mozambique's President Joaquim Chissano has overseen one of the most radical processes of change in Africa, with both the political and economic structures of the country transformed.

concerns. The situation in the Soviet Union and Eastern Europe is turning out to be infinitely more challenging for the West than was thought to be the case in the heady days a year ago. The Western European nations are intensely preoccupied with the growing demands of their 1992 economic unification, as well as pressing economic difficulties. Finally, the devastating scope of the Gulf war has ensured that the industrialized countries will make the strategic Middle East region their major priority for some time to come.

Economic power blocs

At the same time, as ECA Executive Secretary Adebayo Adedeji put it in a speech to the high-level African-American Institute conference here in Cairo in January, the economic power of the dominant group of industrialized countries is being harnessed through the formation and consolidation of regional economic blocs. This kind of economic integration has been further strengthened by rapid advances in technology which are transforming the production process, basing it more heavily on computerized and information systems. Such developments have largely bypassed most African economies, Mr. Adedeji said.

In light of this kind of marginalization, many African policy-makers have recognized that the energies and resources of a much larger segment of the population will need to be mobilized.

Analysts are uncertain, however, whether the current democratic changes will take hold. Some, like Cameroonian historian Achille Mbembe, say "there is reason to fear that reforms underway in several countries may be cosmetic." Others note that the primary cause of political un-

1990: Africa's year of dramatic political change

In a majority of African countries significant political change is now underway. For the first time, multi-party elections have been held in a number of countries and many more are in the process of legalizing opposition political activity. Africa Recovery *highlights some of the major new shifts of the past year.*

Algeria: Multi-party municipal and legislative elections in June. Recently legalized opposition Islamic party won 55 per cent of vote, against 33 per cent for ruling FLN. General elections to be held first quarter, 1991. A vibrant independent press established.

Angola: Ruling MPLA in December endorsed political pluralism. Constitution to be amended by April 1991 to permit other political parties. General elections to follow later in year, the timing dependent on resolving 15-year war with UNITA.

Benin: February national conference led to dissolution of previous government and establishment of transitional administration. New constitution won overwhelming support in December referendum. Multi-party parliamentary elections set for February 1991, presidential poll for March.

Burkina Faso: National conference in December modified draft of new constitution establishing directly elected presidency and assembly of deputies, for which any number of parties may run. Referendum on constitution projected for mid-1991, and elections toward end of year.

Cameroon: National Assembly in December passed new law specifying conditions under which opposition parties can gain official recognition.

Cape Verde: Culminating year-long shift to multi-party system, parliamentary elections in January 1991 gave majority of seats to opposition party, ending 15-year dominance of PAICV. Presidential election set for February.

Chad: Establishment of "pluralist democracy" promised by President Idriss Deby, following his seizure of power in December; those wishing to set up opposition parties urged to wait until procedures worked out.

Comoros: First contested presidential election in March; a multi-party constitution promised.

Congo: Opposition parties legalized 1 January 1991, following mounting calls for political liberalization and labour strikes. National conference set for February to decide dates for pluralist elections.

Côte d'Ivoire: Opposition parties formally recognized in May, following months of strikes and demonstrations. President Félix Houphouët-Boigny re-elected in contested presidential election in October; ruling PDCI won substantial majority in multi-party elections to national assembly in November.

Gabon: National conference agreed in March-April to multi-party system, in wake of violent strikes and demonstrations. Legislative elections in September and October, bringing small majority in national assembly to ruling PDG. New government formed in November, incorporating some opposition party members.

Ghana: Intensified public debate on political system. Government-appointed commission to present report by March 1991 to facilitate work of national consultative body charged with drafting new constitution.

Guinea: New constitution approved in December, providing for civilian rule within five years under two-party system.

Guinea-Bissau: Central Committee of ruling PAIGC agreed in December to establish "genuine multi-partyism" by 1993.

Kenya: After strong agitation for political reform, December congress of ruling KANU amended some election procedures but declined to endorse a move toward permitting other parties.

Liberia: After year-long civil war that brought death of President Samuel Doe, all-party interim government established in Monrovia in November with support of multinational military force under auspices of Economic Community of West African States (ECOWAS). As of January 1991 not all rebel forces reconciled and cease-fire still tenuous.

Madagascar: Emergence of new opposition parties following liberalization of registration procedures in March.

Mali: Pressure for political liberalization mounted, with large

rest is in fact economic: the decade-long fall in the standards of living of the vast majority of Africans.

The political reforms underway are vital in the long term for economic revival in Africa, but are unlikely to yield quick results. One can therefore expect continued, or even increased, turmoil. Nigerian political scientist Claude Aké, for example, believes that the democratizing process will put structural adjustment programmes at risk, since they — and the sacrifices inherent in them — were introduced without any popular support. These programmes, he insists, can only succeed if they are introduced *after* political liberalization, as in Eastern Europe, Brazil and Argentina. What the future holds for the democratization process is therefore quite uncertain.

Another contentious issue is the link between foreign assistance and political reform. Some donors seemed to be pressing Africa on this issue earlier in the year, but their articulation of it has apparently been modified in the face of widespread concerns in both Africa and in the donor countries themselves. Professor Carol Lancaster of Georgetown University in Washington, formerly with the US Agency for International Development, believes that African governments are already under enough pressure from donor economic conditionality. "Conditioning foreign aid on political liberalization ... would add an additional degree of coercion" to what is already an "extraordinary degree of coercion" in the relationship between donor and recipient governments. In addition, she warns that few donors are well enough informed to make decisions about the kinds of political change that are appropriate in the countries concerned.

It is unclear how this issue will evolve. The Gulf conflict has distracted donors from other issues for the last half year. It is difficult to tell whether they will feel impelled to refocus on Africa in a forceful way even when they finally turn their attention back to their broader international concerns. ■

Algeria's President Chadli Bendjedid voting in the country's first contested municipal elections in June 1990.

demonstrations for multi-parties in December and general strike in January.

Mozambique: New constitution came into force in November, endorsing political pluralism, an independent judiciary, press freedoms and the right to strike. Presidential and parliamentary elections scheduled for 1991, and moves underway to negotiate end to war with Renamo guerrillas.

Namibia: Prior to April 1990 independence from South Africa, elected constituent assembly drew up country's first democratic constitution, guaranteeing individual liberties, freedom of press and right to free political association.

Niger: Ruling MNSD agreed in December (following strikes and demonstrations) to revision of constitution by April 1991 and convening of national conference in May, leading to multi-party legislative elections, possibly by early 1992.

Nigeria: Local council elections held in December, with Social Democratic Party, one of two set up by the military government, winning majority in poll marked by low turn-out. Phased transition to civilian rule to be completed by 1992.

Rwanda: Government announced in November, two months after start of insurgency by exiled rebel forces, that referendum to be held before 15 June 1991 on revising constitution to permit multiple political parties.

São Tomé & Principe: Amended constitution in August guaranteeing multiple political parties, a free press, the right to strike, security of property and other liberties. First multi-party parliamentary elections held January 1991, bringing majority to opposition party over ruling MLSTP. Presidential elections slated for March 1991.

Sierra Leone: Demonstrations in May for multi-party system. Ruling party called for review of constitution and a commission began work in November.

Somalia: Government of Mohammed Siad Barre formally endorsed new constitution establishing multi-party system in October, too late, however, to stem escalating rebel insurgencies throughout country. Rebel forces toppled government in January 1991 and pledged formation of broad government and democratic elections.

Tanzania: Ali Hassan Mwinyi retained in office in uncontested presidential election in October, accompanied by parliamentary elections in which multiple candidates ran within framework of ruling CCM. Officially sanctioned public debate continued on future political system, including possible option of multi-party system.

Togo: Amid strikes and demonstrations, constitutional commission named in November to work out charter for multi-party system. Referendum on constitution promised for end-1991.

Zaire: Following strikes and student protests, new draft constitution in July permitting opposition parties. Nineteen parties officially recognized in January 1991, with contested legislative and presidential elections promised for 1992.

Zambia: Following June riots, formation of opposition parties legalized in December, with presidential and parliamentary elections slated for October 1991.

Zimbabwe: General elections in March, with governing ZANU-PF winning 116 of 120 seats in national assembly. After some talk of establishing de jure one-party state, decision by Central Committee in September to retain multi-party system.

GATT wars threaten African food security

Multilateral talks to liberalize international trade in a wide range of goods and services are at a crucial stage after near-breakdown at the end of 1990. The stakes are high; success will lead to booming world trade, failure to increasing protectionism. The Uruguay Round of the Generalized Agreement on Tariffs and Trade (GATT) talks could give annual gains to developing countries equivalent to twice the current amount of Western aid, the International Monetary Fund says. But developing countries claim their concerns are being ignored, as the world's trading giants fight for their interests. This battle is particularly intense over plans to open up trade in agricultural products. Advocates of liberalization argue that all countries will gain from freer trade. But African countries say they will be losers from the talks, with their efforts to increase food production seriously undermined.

Margaret Novice

Harvested maize, Zimbabwe. The country has succeeded in raising food production, but such success stories could be one victim of agricultural trade liberalization.

By Melvyn Westlake

Whatever happens in the GATT negotiations in the coming few weeks, the world's poorest food importers, particularly in Africa, look likely to be the ultimate losers. Talks on agriculture aim to liberalize trade in a range of temperate crops, such as cereals, sugar and meat.

From the African viewpoint, the two key questions are whether these farm trade talks will stop all dumping of European and US farm surpluses, and whether African countries will be allowed to retain measures to improve their own food security. The answer to both questions is "no". These concerns are reinforced for African countries by the threat that parallel talks on liberalization of tropical products, such as coffee and timber, will erode existing trading advantages, hitting future export earnings.

The agenda for the agricultural talks has been largely set by the US. "The US position in the farm trade negotiations is aimed principally at opening the markets of the developing countries for its surpluses and restricting the policy sovereignty of these countries to take measures that promote self-sufficiency," says Dr. Kevin Watkins, a trade specialist at the Catholic Institute for International Relations. The policy has been pursued consistently since the start of the Uruguay Round in 1986, when the then US Agriculture Secretary, John Block, made the point bluntly: "We have to get away from the romantic anachronism that developing countries should strive for self-sufficiency in food."

The US has pursued its aim to the point where it threatened the collapse of the whole Round, largely as a result of the refusal of the EC to dismantle its farm support measures. A total collapse is likely to deepen the trade war between the EC and US which has already hit African economies, analysts argue. But compromises now being put forward are unlikely to deal adequately with the problem of structural over-production in the EC and US, which has helped to stunt food production in Africa, or to prevent the erosion of barriers that developing countries have used to protect their agriculture from cheap food imports.

GATT, in the past, has acknowledged that the development needs of Third World

Uruguay Round

The present round of multilateral trade talks began in 1986 at Punta del Este, Uruguay, under the auspices of the Geneva-based Generalized Agreement on Tariffs and Trade (GATT). Set up in 1947, GATT is a negotiating forum — and a monitoring and adjudicating body — which aims to promote the principle of freer trade. It currently has over 100 members (32 of them African, with another 10 considered *de facto* members).

The two major tenets of GATT are reciprocity and non-discrimination — that any trade concession given to one is made available to all members — the so-called Most-Favoured Nation (MFN) principle. Developing countries, however, have attempted to assert that where there is a clear development imperative, they are exempted from the principle of reciprocity.

The Uruguay Round was broken down into 14 separate negotiating groups, plus a general one on services, each mandated to reach consensus on lowering tariffs and other impediments to the free exchange of goods and services. These separate negotiations, however, have become interdependent as countries try to balance concessions made in one negotiating group with gains in other areas. Many developing countries, for example, have been willing to open up to freer trade in services, in exchange for greater access to industrial country markets for their agricultural or textile exports.

Melvyn Westlake, until recently, was Managing Editor of South *magazine.*

Africa calls for better treatment, more market access

A more acceptable GATT deal on agriculture must include "differentiated and more favourable treatment" for the region, Africa's spokesman, Madagascar's Trade Minister Georges Solofoson, said in Brussels at the end of December. Such treatment is necessary to enable them to pursue their own agricultural development plans, he said. Mr. Solofoson said that compensation for the negative effects of trade liberalization on net food importers was also necessary.

An improvement in market access was also of "capital importance" to African countries, Mr. Solofoson said. This was particularly crucial because of the threatened erosion of existing trade preferences under liberalization plans, especially in the area of tropical products. Mr. Solofoson said African countries would require preferential access to markets to compensate them for the erosion of current preferences proffered under existing trading agreements.

Negotiations on tropical products, being held in parallel to the agriculture talks, have already led to major importers, including the EC, offering some cuts in general tariff levels. UNCTAD has calculated that under the EC offer African, Caribbean and Pacific (ACP) members of the Lomé Convention could suffer a serious loss of trade as a result of increased competition from other producers of tropical products, although the UK's Overseas Development Institute estimates that losses would be largely restricted to coffee producers.

Overall, present offers to improve access for tropical products remain disappointing. UNCTAD calculates they would raise total earnings of developing countries by only 3 per cent, while sub-Saharan Africa would suffer losses as a result of the erosion of preferences. The EC and US offers to reduce barriers to tropical exports omit several key products such as sugar, maize, cotton and soya which are grown in both temperate and tropical regions. For example, the EC offer leaves out vegetable oil, rice, tobacco and cassava because they compete with other EC commodities. However, the EC does appear to have dropped its "rebalancing" threat to increase tariffs on certain vegetable oils in compensation for lowering trade barriers on other products.

Current US and EC positions do little to address the issue of tariff escalation, where the tariffs on tropical imports increase with the degree of processing that takes place prior to shipment. Better access for tropical products to Northern markets and the elimination of tariff escalation on processed products would generate extra revenue that would at least partly offset any rise in Africa's import costs for temperate foodstuffs.

African countries want to ensure retention in the GATT talks of the development principle for their agricultural sector. They have joined other developing countries in pressing for a distinction between subsidies that aim to increase self-reliance and meet legitimate social objectives, and subsidies which cause over-production and market distortions worldwide. Whereas the latter are proper subjects for GATT negotiations, the former relate directly to the responsibility of governments to provide their citizens with adequate and secure supplies of food, negotiators have argued.

African countries see a better GATT deal emerging only if wider issues are addressed. If the Uruguay Round is to benefit all countries "it must be complemented by action against other barriers to development, notably the debt burden, the weakness of commodity markets and inadequate food security," UNCTAD Secretary-General Kenneth Dadzie has said.

countries requires special treatment. This principle is now being sacrificed, they fear, on the altar of global liberalization.

The subsidies game

All countries, to a greater or lesser extent, offer support to agriculture. But it has been the elaborate and expensive systems set up by the EC and US which have dominated the farm trade talks. The EC, for example, provides price guarantees for many farm products, imposing high tariffs on competing imports and unloading surpluses at rock-bottom prices on world markets. In the US, farmers' incomes are topped-up in some cases by the Federal Budget through a system of 'deficiency payments'. Farmers may also be paid not to produce certain items, while quotas are employed to restrict imports.

US and EC farm support policies contributed to an annual 2 per cent rise in output between 1960 and 1980: double the rate of increase in their consumer demand. A threefold rise in the volume of world imports over the same period enabled most of the resulting surpluses to be sold, especially to developing countries, many of whom preferred cheap food imports for the cities to stimulating domestic production through remunerative prices to farmers.

Developing countries' cereal imports rose from 5 mn tons in the late 1950s to 100 mn tons by 1980. By then, some 40 per cent of US and EC exports were going to the South, with Africa a particular target. Cereal imports into the region continued to grow through the 1980s (see chart, page 14)

Farm support policies in the North have now become very onerous, costing taxpayers a staggering $270 bn a year. Pressure to reduce farm spending has intensified, especially in the US where the Federal budget is already heavily in deficit. A persistent trade deficit is also raising the pressure to increase exports.

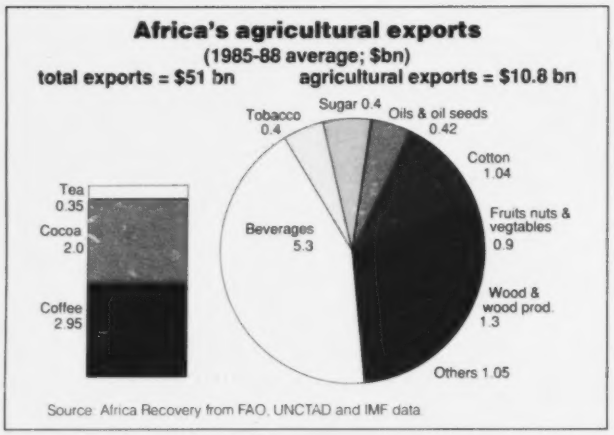
The US, determined to break into the protected, self-sufficient Japanese market, and extend its grip on Southern markets, while disarming its EC competitor, launched a free-market crusade for the elimination of all production subsidies and import controls.

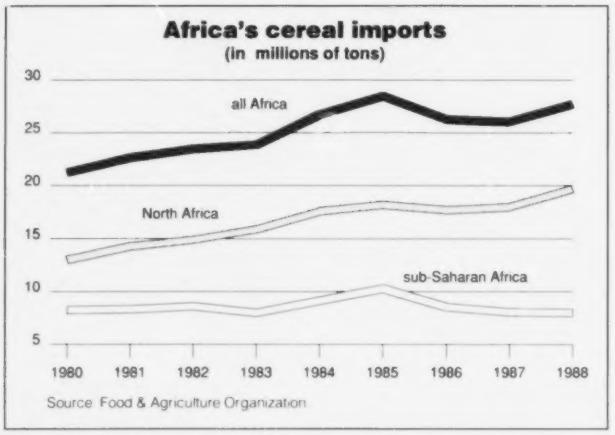
It argued for a 75 per cent cut in output support measures and a 90 per cent cut in export subsidies, a call backed by the 14-member Cairns Group of temperate agriculture exporters, which includes some developing countries. However, the US excluded its own system of deficiency payments, which act as indirect export subsidies, from such cuts.

The EC responded, after protracted and often heated debate, with a proposal for a 30 per cent cut in farm subsidies, backdated in the latest proposals to 1988.

Opening up Southern markets

To try and break the deadlock, Sweden's farm minister, Mr. Mats Heilstrom, who chairs the agricultural negotiations, produced a compromise proposal. African officials and trade analysts are alarmed, however, that the compromise still follows far too closely the US line on developing country farm policies, and does little to outlaw US and EC food dumping. Under the Heilstrom plan developing country governments would be required to cut their farm





support by between 15 and 30 per cent by the end of the 1990s and restricts their right to use the types of border protection which have underpinned US and European farm policies for half a century.

Dumping has already had a heavy cost on Africa. Both Zimbabwe and Botswana have faced competition from EC beef dumping in regional markets. The North expanded its share of world beef trade from 40 per cent to over 60 per cent between the early 1970s and the early 1980s, while the developing country share fell from 52 to 27 per cent.

The consequence of dumping on importers has been still more serious. During 1986, at the height of US-EC dumping hostilities, surplus wheat was being sold in West African countries such as Mali and Burkina Faso for as little as $60 a ton — around a third lower than production, transport and marketing costs for local cereals. At the same time, both the EC and the US were paying their own farmers direct and indirect subsidies of $100 per ton.

The US determination to open up developing country markets to its farm goods has widespread implications. It undermines much of the international aid effort now underway to support the focus on agriculture in Africa's 1985 priority programme of economic reforms. The EC has supported, against World Bank advice, an import tax introduced by Niger to protect producers in its rice growing projects. It has also supported price support measures in Mali and Cameroon. Such measures could be outlawed if the US gets its way.

This policy has been clearly demonstrated in the case of Nigeria which, in 1988, banned imports of US wheat, which had helped to undermine local cassava and millet production.

Washington's reaction has been vehement. Numerous US trade delegations have been to Lagos to seek a policy change. Washington has also threatened to block Nigerian exports to the US.

Such attempts to reverse food security policies are "a recipe for increased world hunger," says the UK Food Group, a coalition of development agencies. Price support systems, allied to wider infrastructural support, played a vital role in enabling Zimbabwe to achieve self-sufficiency in maize during the first half of the 1980s, the Group argues. More recently, remunerative prices have enabled peasant farmers in Tanzania and Zambia to produce small maize surpluses. The Group stressed that "'free market' prices are dumping prices distorted by US and EC subsidies."

"During the height of US-EC dumping hostilities, surplus wheat was sold in West Africa for a third of the price of local cereals."

At least in the short-run, it is generally predicted that any removal of subsidies would lead to a rise in prices. All six papers at a 1989 seminar organized by the Organization for Economic Co-operation and Development (OECD) predicted an upturn in prices, though the extent varied. UNCTAD calculates that maize prices could rise by up to 15 per cent and sorghum by 12 per cent under complete liberalization. This would benefit the relatively few African countries, like Zimbabwe, which are net food exporters, or, like Kenya, have the potential to become one. While rising world prices should, in theory, help African farmers compete against imports, most countries in the region would suffer balance of payments' losses. Although it admits that all price projections are highly speculative, UNCTAD calculates that Africa could be worse off by nearly $700 mn a year with complete liberalization of trade in the products under negotiation, simply in terms of the net foreign exchange effect. If the welfare effects are included the costs rise to over $950 mn.

More gradual liberalization would, however, lower such costs. The elimination of export subsidies, for example, with producer support prices intact, would cost Africa some $256 mn in foreign exchange, according to UNCTAD. The projections are also highly sensitive to the response of the African agricultural sector to rising prices, where significantly higher output could lower the net costs of liberalization.

The prediction of rising prices is based on the argument that the elimination of subsidies would initially lower production. Dr. Watkins, however, argues that prices could fall since liberalization would force small farmers off the land in favour of large, capital-intensive agricultural combines, whose higher productivity would lead to further surpluses. A few exporters in the South might benefit from a free market in foodstuffs, provided subsidized Northern surpluses were not dumped on the world market. But many farmers in Africa would not be able to withstand the aggressive might of Northern corporate, hi-tech, agricultural producers, Dr. Watkins says, cancelling out the theoretical gains from liberalization.

However future prices move, there is general consensus that Northern food surpluses are not going to go away. Already the OECD is predicting higher cereal output by its members in 1992 and studies estimate that surpluses will continue.

Developing countries provide the only expanding outlet for such surpluses. If the GATT talks fail the battle for markets between the US and EC will be renewed using highly subsidized food surpluses. And if agreement is reached on full trade liberalization the developing countries will present an open market, in which domestic agriculture will be at the mercy of Northern technology and economic might. ■

PARIS CONFERENCE FALLS SHORT OF EXPECTATIONS

New action programme agreed for least developed

By Jenny Pryke in Paris

For the world's poorest and most vulnerable nations, the September UN Conference on Least Developed Countries was an occasion to try to garner greater commitments of external support. At a time when donors are preoccupied with developments elsewhere in the world, it served to highlight the continuing depth of these countries' many problems.

The results of the Paris conference did not live up to the initial expectations of many LDC delegates, however, with some expressing disappointment that the expected levels of new financing for the LDCs would fall short of what they need to achieve a strong renewal of economic growth.

After two weeks of intense and sometimes heated negotiations, consensus was nevertheless reached on a new Programme of Action for the Least Developed Countries for the 1990s. The Programme integrates economic, social and political measures to be taken, both by LDC governments themselves and by international donors, including in such crucial areas as aid, debt, commodity prices and market access for LDC exports. The LDCs are given the primary responsibility for their development, but the success of their efforts rests on a "shared responsibility and a strengthened partnership" entailing "adequate external support."

UN Conference on Trade and Development (UNCTAD) Secretary-General Kenneth Dadzie called the new Programme a "qualitative step forward" from the plan adopted at the first LDC conference in 1981. The Programme of Action places greater emphasis on population policy, respect for human rights, the need for democratization, the role of women in development and the contributions that can be made by non-governmental organizations. Committee debates on the respective roles of the public and private sectors resulted in a stress on the need to create a positive climate for private initiative and investment, but also a recognition of the major role of the public sector, albeit a streamlined and more efficient one.

Also notable is the emphasis on the need for adjustment programmes that are flexible, allow for adequate financing and incorporate "efforts to protect the poor and the most vulnerable." African LDC ministers had specifically called for such modifications to adjustment programmes prior to the conference. Of the world's 42 LDCs, 29 are in Africa (following the UN General Assembly's decision in December to include Liberia in the category).

Since the previous conference, "the social and economic situation of the LDCs as a whole worsened," stated the Programme's opening critique of the past decade. "For the LDCs, the 1980s became an unrelenting economic nightmare," said the Chairman of the Organization of African Unity (OAU), Ugandan President Yoweri Museveni.

The 1981 programme had set a target of 7.2 per cent for annual growth in the LDCs' gross domestic product, but the actual rate was an average of 2.2 per cent. For some African LDCs, President Museveni remarked, growth rates were negative.

Debate on aid targets

A source of much comment in the general debate, by both LDCs and the Nordic donors, was the discrepancy between the previous plan's aid targets and actual achievement. The 1981 programme had called on donors to provide LDCs with flows of official development assistance (ODA) equivalent to 0.15 per cent of the donors' gross national products (GNP). But the average has reached only 0.09 per cent. This, said President Museveni, is "a minuscule and insignificant fraction of GNP... grossly inadequate for the urgent needs at hand."

L. Bianco

UNCTAD Secretary-General Kenneth Dadzie sees Programme as "qualitative step forward."

The new Programme of Action commits the international community to "a significant and substantial increase" in aid to the LDCs; a flow that is "sufficient in terms of volume and efficient in terms of allocation." Failure to agree on a single target or time-frame for this aid, however, resulted in adoption of a four-part "menu of options".

Reactions to the menu varied. A number of LDCs were disappointed. During the preparatory process and at the conference, some emphasized that agreement on a single, clear ODA target was essential to give an indication of the likely level of resource flows, enabling proper planning of development programmes. The developing countries' Group of 77 and the OAU had both called on donors to double their ODA levels by 1995 and to aim toward a 0.20 per cent level by the end of the decade. Some LDC delegates commented informally that the four-tier menu is, in effect, little more than a commitment by everyone to do what they have already been doing.

Prior to the conference, the UNCTAD Secretariat had estimated that for the LDCs to reach an annual average growth rate of 5 per cent by the end of the 1990s, donors would have to provide ODA levels of 0.20 per cent of their GNPs. Many delegates

Aid 'menu of options'

- Donors that already provide 0.20 per cent of their GNP in aid to the LDCs will maintain or improve this level. In this category are the Nordic countries.
- Those that have met the earlier 0.15 per cent target will strive to reach 0.20 per cent by the year 2000. This includes the Netherlands, France and Italy. At the opening of the conference French President François Mitterrand committed his country to the 0.20 per cent target.
- Those committed to the 0.15 per cent target, but which have not yet reached it, will achieve it within five years or accelerate their efforts to meet it. Most of the other European Community countries and Canada are in this group.
- The remaining donor countries will "exercise individual best efforts" to increase their aid to the LDCs during the period of the Programme. This includes the United States, Japan and the Soviet Union.

noted during the discussions that the transfer of resources may need to be even higher than initially projected due to the rise in oil prices brought on by the Gulf crisis.

The Programme of Action's aid proposal was nevertheless "a good meal, which contains more meat than in the 1980s," according to Jan Pronk, Dutch Minister for Development Co-operation, who had been brought in to negotiate the aid volume section when the drafting groups reached deadlock. Mr. Pronk stressed that the section does match the LDC position in that there are targets and time frames for all countries and that the most important objective had been achieved in getting everyone "on board" (in contrast to the 1981 conference, when neither the US nor the Soviet Union committed themselves to the LDC aid target). This will enable monitoring on donor aid performance so that claims on individual donor countries can be built up. Mr. Dadzie felt that such a "ladder of commitments" would "give an incentive to donors to climb to a higher level during the 1990s."

To improve monitoring of the Programme's implementation — as well as to better co-ordinate aid flows to LDCs — the conference decided to place greater emphasis on the UN Development Programme (UNDP) round tables and World Bank consultative groups. Those LDCs that do not currently participate in these donor pledging conferences are urged to do so, and the meetings themselves are to take place more frequently, annually if possible.

Debt and trade

Although several donors insisted that the conference was not an appropriate forum for dealing with debt, and the US entered the only official reservation to the Programme on its section on multilateral debt, the LDC delegates were able to debate the issue.

The Programme did not go as far as the LDCs had hoped. It nevertheless urged that the Toronto options for reducing official bilateral debt be strengthened and applied to all LDCs, that the IMF and World Bank give "serious attention" to alleviating the LDCs' multilateral debt and that greater use be made of the World Bank's debt reduction facility and other debt buyback and conversion schemes for bringing down the stock of commercial debt.

Conference participants emphasized that trade is another area where LDCs are particularly vulnerable to external shocks, as a result of fluctuating world prices for their exports and trade restrictions in Northern markets. The Programme argues that the creation of a more open and credible multilateral trading system is "essential," with prime responsibility resting on the donors. It urges improved market access for LDC products, including duty-free treatment, exemption from quotas and ceilings and use of simplified and flexible rules of origin.

UNICEF/Maggie Murray-Lee

Adult literacy class in Mali. Programme of Action urges LDC governments to increase women's access to education, to improve their status and economic skills.

The conference's overall recommendations for external support to the LDCs were called "extremely disappointing," however, by UN Economic Commission for Africa Executive Secretary Adebayo Adedeji. In particular, he noted the conference outcome's "complete silence" on the proposal of the African LDC ministers for adoption of a three-year immediate action programme to enhance emergency preparedness on the continent, and help rehabilitate and reconstruct its beleaguered economies.

Popular participation

The section of the Programme of Action dealing with national policy stresses the need for development to be human-centred and broadly based. It repeatedly refers to the need for popular participation, democratization and the rule of law.

LDC delegates voiced concern that aid flows should not become conditional on political considerations. An OAU statement reaffirmed Africa's "commitment to the observance of human rights," but went on: "Nevertheless, we are acutely aware that for these to be meaningful, a more fundamental commitment to the improvement of our socio-economic conditions is the prime imperative of our times. If we cannot feed the hungry, if we cannot heal the sick . . . the fundamental human rights talked of in the West, important though they are, may well be meaningless."

The Programme accommodates the LDCs' sensitivities on this issue by acknowledging that every country must determine its own path toward human rights and democracy. It additionally recognizes that popular participation requires the strengthening of human capital through improved health services, education, training and population policies, with donors urged to assist in these efforts.

Women's participation is also seen as vital to successful development, a point that was strengthened in the Programme as a result of lobbying by women delegates. The Programme urges LDC governments to give special emphasis to improving access to learning for women, young and old. "The material conditions of life are much the same for men and women in the LDCs," said Niger's Minister for Social Affairs and the Advancement of Women, Moumouni Aissata, who vigorously promoted women's issues during the conference. "But the fundamental difference is that men have access to the means of improving themselves and their status and women do not."

On the Programme of Action's overall chances of success, many conference delegates expressed the hope that it would be better able to approach its goals than did the previous one. By avoiding specific quantitative targets for economic performance in the LDCs, the new Programme places a greater emphasis on the policies required for economic recovery. The disastrous results of the 1980s have instilled in everyone a sober realization of the many difficulties that lie ahead. ■

World Bank defends adjustment

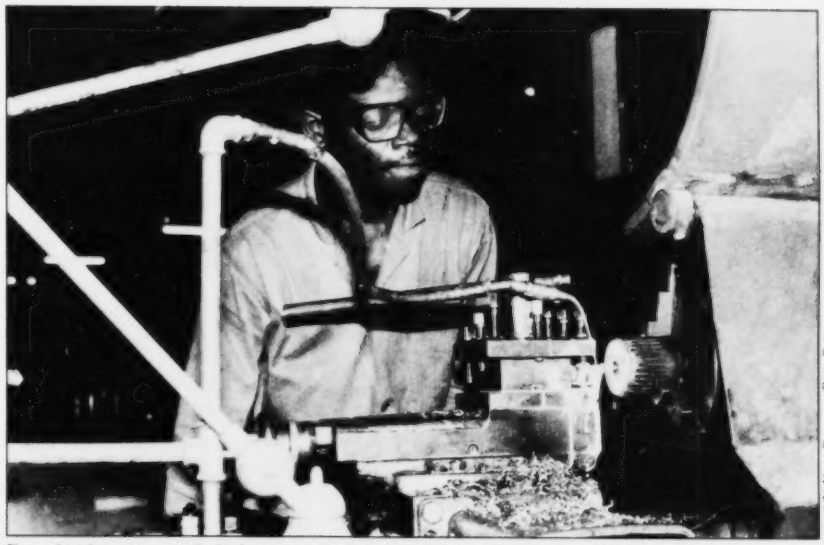
Evidence suggests that adjustment lending has not, on average, increased poverty, the World Bank argues in a recent review of policy-based lending. "Orderly adjustment, supported by Bank lending, seems to be less costly for most of the poor and for the general populace than disorderly adjustment without Bank support," it argues in its second assessment of adjustment lending.

The report, *Adjustment Lending Policies for Sustainable Growth*, concludes that the overall experience of adjustment has been generally beneficial, though it highlights a worrying downward trend in investment in adjusting countries.

Also, adjustment is taking much longer than expected. With the social sector's share of central government expenditure also tending to fall in adjusting countries, the report recommends that Bank programmes do more to alleviate the costs to vulnerable groups. "Adjustment programmes should include poverty alleviation as an objective and provide measures to reduce the potential short-run burden on the poor of external shocks or adjustment policies," says the report.

This reflects a similar call in the first review of structural adjustment lending, published in 1988. Between 1979 and 1985 social conditions on adjustment loans amounted to a mere 1 per cent of total conditions. By 1989 they had only risen to 7 per cent.

While the latest report concludes that, generally, adjusting countries have experienced better economic performance than non-adjusting countries, African countries' experience of economic growth has been mixed. In some countries, such as Côte d'Ivoire, Malawi and Nigeria, growth has been slower than originally expected. In others — Ghana, Mauritius and Morocco — faster than expected growth has been achieved. Unlike the earlier report, which exempted Africa from its upbeat message on the relationship between growth and adjustment, the latest review finds no regional trends in the relative performance of adjusting and non-adjusting countries.



UN Africa Recovery Betty Press

Boosting investments in industry and other productive sectors in Africa is vital.

Ghana, Mauritius and Morocco have enjoyed faster than expected growth, but for Côte d'Ivoire, Malawi and Nigeria growth rates have been more disappointing.

The report makes a series of recommendations for future adjustment operations. The five major suggestions emphasize the importance of removing large distortions early in the adjustment process, increasing investment, as well as the priority of public sector reforms, timing disbursements with the implementation of reforms and ensuring macro-economic stability.

The report lays stress on the sequencing of reforms, arguing that large distortions, such as high inflation or a large current account deficit should be tackled first. Reforms must also take into account linkages between sectors. The report suggests that in low-income countries one of the first priorities should be tackling poor transport infrastructure, which acts as a fundamental impediment to the integration of the domestic economy.

The report advocates a general expansion of public and private investment. Both have suffered under the early phase of structural adjustment programmes, an unacceptable situation which must be rectified, the report stresses. To achieve this in Africa, domestic savings and external financing will both require boosting. Removing the uncertainties over the macro-economic environment created by a heavy debt burden through debt and debt-service reductions is also important.

In the special chapter devoted to poverty issues the Bank concedes that a decline in social sector spending — and its consequences, such as falling levels of school attendance — does appear to be associated with adjustment, and "may have negative effects on living standards in the future." To protect this and to attack poverty directly, the report says that reductions in social sector spending should be avoided. It argues that the increasing availability of "affordable, low-technology, life-saving interventions allows for continued progress even in times of recession."

The Bank also argues that deterioration in indicators of living standards, such as nutrition, cannot be correlated with the implementation of adjustment programmes. In part this reflects the paucity of the data available, but, the Bank argues, it is also impossible to disentangle the impact of adjustment measures from the wider economic shocks suffered by reforming countries. It is therefore difficult to determine whether alternative policies would have done better or worse, the report says.

This conclusion does not prevent it from advocating a number of measures which it believes would immediately improve the impact of adjustment programmes on the poor. These include measures such as severance pay and job retraining for laid-off workers, measures which would also improve the political acceptability of reform programmes.

In general, the pressure on living standards in adjusting countries has been eased by a relative rise in consumption — albeit at the cost of investment and possible future growth.

While suggesting important fine-tuning in current adjustment programmes, including greater stress on alleviating their social impact, the Report does not propose any fundamental change in approach. ■

Zimbabwe opens up to the market

Zimbabwe celebrated 10 years of independence in 1990. During a traumatic decade for much of Africa, the country has made impressive progress. Great strides have been taken in education and health for the majority of the people, while both key sectors of the economy, agriculture and mining, have performed well, raising output and giving the country solid growth through most of the 1980s. But with a rapidly expanding labour force, Zimbabwe wants to do even better. The government has recently announced a radical shift in economic policy. It is aimed at boosting economic activity and exports in particular, by creating new incentives for investment, especially in the already well-established manufacturing sector, which the government believes has tremendous potential to transform the economy.

By Colin Stoneman

In October 1990, after nearly two years of expectation and speculations, a trade liberalization programme began in Zimbabwe, replacing a system of quantitative controls on imports in place since 1965. This was the culmination of a wider policy shift, underway for over a year. It represents a fundamental redirection of economic policy away from an attempt to create a largely self-sufficient economy, strongly influenced by the government's socialist programme, to what many see as an attempt to turn Zimbabwe into a "new NIC" (newly industrializing country).

Senior Minister for Finance, Economic Planning and Development, Dr. Bernard Chidzero said in his July budget day speech that trade liberalization would be coupled with a further reduction of price and wage controls so as to allow market forces "to operate in directing the pace and course of economic activities in Zimbabwe," although he also emphasized that the government would move cautiously.

The programme is aimed at stimulating investment and hence growth by removing the plethora of economic regulations which, having "now served their purpose," the government believes are acting as a brake on growth. Trade liberalization is seen as key by the government, which hopes it will indirectly raise access to much-needed imports for the expansion of the manufacturing sector, which is given a dominant role in the plans for securing a faster rate of growth. With more such encouragement to the private sector, the rate of investment can be raised and with it overall growth, from the 3 per cent during the 1980s quoted by Dr. Chidzero to an average of 5 per cent a year in the first half of the 1990s. This in turn, it hopes, will contribute toward solving an unemployment problem, now reaching worrying proportions.

To achieve this target the government is going to "de-emphasize its expenditure in social services and emphasize investment in the material producing sectors, such as agriculture, mining and manufacturing together with supporting economic infrastructure in transport, power and communications," the Economic Policy Statement, published in July, states. In policy terms this will manifest itself in an attempt to reduce the budget deficit — from the current 9 per cent of gross domestic product (GDP) to 5 per

UNICEF/Carolyn Watson

Creating enough jobs for future entrants to the work-force, like these primary school children, is a major goal of the government's new economic policy.

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cent by 1995 — through cuts in subsidies to parastatals and the introduction of "cost recovery" measures, initially in education where school fees will be introduced.

These are policies which imply a significant redirection in the "home-grown" route to adjustment that the government has been pursuing in recent years. This is being undertaken, critics point out, even though the country has successfully passed through a period of heavy debt repayment obligations and as growth in the economy shows signs of accelerating.

The fact that the World Bank has long advocated such a move has, in turn, raised the criticism that Zimbabwe has become one of a long line of countries to fall unwillingly into compliance with Washington orthodoxy in the interest of securing increased aid flows from otherwise reluctant donors. It is particularly ironic, in the light of the unpopularity of the government's decision to charge fees for previously free social services, that the World Bank, now eager to project its new "human face" to adjustment, has come out in opposition to school fees, at least as far as rural primary schooling is concerned.

New measures

Under Zimbabwe's previous system of quantitative controls on imports, hardly any item produced in Zimbabwe could be imported. In addition, because of the shortage of foreign exchange that has persisted for many years, there has been tight rationing of imports of other goods through a complicated structure of allocations to companies which need imports to continue their production. Foreign exchange allocations to importers of consumer goods have been particularly scarce. This system gave a huge boost to import-substituting industries, which produce over 8,000 separate items compared with just 600 in 1965, but it was biased against exporting, although this bias was largely removed for manufactured exports by a very successful system of export incentives.

All this is now to be phased out, though given the many concerns expressed over the impact of the programme during the two years it has been debated, the government is emphasizing the gradual nature of the transformation to a more open and less regulated system. According to Dr. Chidzero, in his July Economic Policy Statement, the liberalization programme "will be selective and gradual in approach and phased over a period of five years [see box]. This will allow the stronger sectors to benefit from the removal of constraints on their export performance whilst permitting weaker sectors to adapt and new investment to take place as opportunities arise." Moreover, "the tariff regime to be put in place will be concerned with providing protection to domestic activities considered to be viable or potentially viable in progressively more open trading conditions." The possible adverse economic impact of the Gulf crisis has only accentuated the gradual nature of this shift.

"If the problems facing the economy are to be solved and a sustainable rate of growth achieved, it will be important to enhance the current investment drive to promote exports and introduce measures which will be conducive to slowing the present foreign exchange shortage."

Finance Minister Bernard Chidzero

Liberalization measures:

1. Most imports are to be placed on a system of Open General Import Licence (OGIL), with tariffs gradually replacing quotas as the means of controlling imports. The first items to be so treated are: plastic granules and tin plate; dyes, dyeing chemicals, binders, colourants and pigments; and clinker for the cement industry.

2. The Zimbabwe Investment Centre (ZIC) which first opened its doors in 1989, is to be upgraded, with a new in-house project approvals committee replacing a number of ministerial committees, which are to be abolished. It will thus become a genuine "one-stop" centre with authority to approve projects valued up to Z$10 mn (US$3.9 mn). One of ZIC's duties will be to co-ordinate the proposed establishment of free trade zones, export-processing zones and bonded manufacturing operations, should these be approved by government.

3. An export-retention scheme is to be introduced, retroactive to July 1990, allowing exporters to retain in foreign exchange 5 per cent of their export earnings if they are in the agricultural or mining sectors, or 7.5 per cent for exporters in manufacturing, tourism, horticulture, road haulage and construction.

4. New investment incentives will be introduced which will allow 100 per cent dividend remittance for new investments in export-oriented projects made after 1 October 1990.

5. Small- and medium-scale enterprises are to be promoted and there is a proposal to set up a venture capital company (with backing from the International Finance Corporation, the Commonwealth Development Corporation, and the Reserve Bank of Zimbabwe).

6. There will be decontrol of prices on products which are considered luxuries.

Raising the investment rate is also a key element in the programme. Measures have already been taken to make the country more attractive to foreign investors. In addition to easing some of the rules on dividend remittances, Zimbabwe has become a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA) and has signed an agreement with the US Overseas Private Investment Corporation (OPIC), a move it had long resisted. However, the government has made a realistic assessment of the limited potential for foreign investment in the present international climate, and expects the bulk of the resources needed for investment to be generated locally. This should be no problem, for industries have been booming over the last two years, making record profits and raising the stock exchange index from about 500 in late 1988 to over 2000 in November 1990.

The Economic Policy Statement admits the risks and the

Zimbabwe at a glance: 1989

Population:	9.6 million
Population growth rate:	3.2%
GNP per capita:	$640
Currency:	*Dollar (Z$2.5=US$1)
Gross domestic product:	Z$11.1 bn ($5.3 bn)
of which: agriculture	12.7%
manufacturing	26.5%
Total external debt:	$3.1 bn
Debt service ratio:	25.6%
Life expectancy at birth:	58 years
Infant mortality rate:	66 per 1,000 births
Adult literacy rate:	74%

Sources: UN Fund for Population Activities, International Monetary Fund, World Bank, Economist Intelligence Unit
* 1990

negative impact, at least in the initial stages, that are associated with the liberalization programme. Thus the government predicts that inflation, officially around 14 per cent in mid-1990, is likely to rise substantially over the next year, whilst the introduction of primary school fees would hit the poor. Acknowledging this, President Robert Mugabe said recently that measures would be built into the programme to protect the most vulnerable groups.

Prices will also rise because of the planned phasing out of most of the many subsidies to public sector operations, such as marketing boards and transport companies. According to Dr. Chidzero, most parastatals will be restructured and some might be closed down or privatized, although the Zimbabwe Iron and Steel Company (ZISCO) would continue to be supported as an industry of strategic regional and national importance. In the last financial year subsidies to parastatals apart from ZISCO amounted to Z$350 mn ($140 mn), over a third of the budget deficit.

Much of the subsidy bill is linked to providing the incentives to farmers which has given Zimbabwe its much-praised agricultural success story. Whilst the developed world continues its own agricultural subsidies, any unilateral action by developing countries, when coupled with the freeing of import barriers, risks the undermining of domestic production, with immense consequences for food security as well as economic growth and employment.

Respectable growth record

Zimbabwe's economic growth record has in fact been good in African terms. Dr. Chidzero quotes an average 3 per cent a year for the period since 1981. But after negative economic growth in 1983 and only 2 per cent in 1984, the record since has been an average of 4.2 per cent a year, despite a catastrophic drought in 1987. Preliminary results for 1990 suggest that growth is continuing at about 5 per cent, so the last three years show an acceleration over the

Zimbabwe business looks to new opportunities

Chairman of TA Holdings, Ariston Chambati

By Colleen Lowe Morna in Harare

At one time Zimbabwean industrialists thought that trade liberalization would force many of them to go under. The spectre of "deindustrialization" was widely raised. Now, says Ariston Chambati, chairman of TA Holdings — the largest locally controlled company in the country — the concern is more that the process is going too slowly to allow existing enterprises to undertake the urgent task of retooling.

"The trick in trade liberalization," Chambati told *Africa Recovery*, "is to strike a balance between keeping step with the rest of the world, while not putting domestic enterprises out of business."

"At first," the TA chairman noted, "the fears were that, after being a closed economy for so long, working with antiquated machinery, thriving on shortages and producing for the domestic market, how would one cope with competition from the outside world?"

A veteran politician and former Zimbabwean ambassador to West Germany, Chambati says he was personally convinced that the government would not "throw any company to the wolves." Far from that happening, he added, the limited resources so far raised for the programme, coupled with constraints imposed by the Gulf crisis, have raised questions about whether essential access to foreign exchange will be available for local enterprises to restructure.

While measures announced so far, including a slight expansion in the number of goods on Open General Import Licence (OGIL), represent "a step in the right direction, on their own they do not amount to much," the Zimbabwean executive noted. "I wouldn't say that trade liberalization is running into a wall, but it is running into serious difficulties," Chambati noted.

Zimbabwe's manufacturing sector is very varied. With present turnover of some Z$500 mn ($200 mn) a year, TA Holdings enjoys economies of scale not available to many other companies. However, with concerns ranging from its roots as a tobacco processor, through food processing, to the manufacture of bicycles and fridges, to transport and hotels, its many subsidiaries cover much of the range of Zimbabwean manufacturing and reflect many of its needs.

Like most other companies, TA Holdings has been mostly geared towards the domestic market and has been seriously constrained by foreign currency shortages. For example, according to the company's annual report, Zimbabwe Cycle Industry group, which produces bicycles, is operating at 50 per cent of capacity due to ancient plant and shortages of imported inputs.

Partly to increase the company's access to foreign exchange through export incentives and bonus schemes, the company embarked on an export drive three years ago. It now sells 5-10 per cent of its products in neighbouring countries like Botswana and Zambia. However, according to Mr.Chambati, the exports have to be sold at a lower price than that which

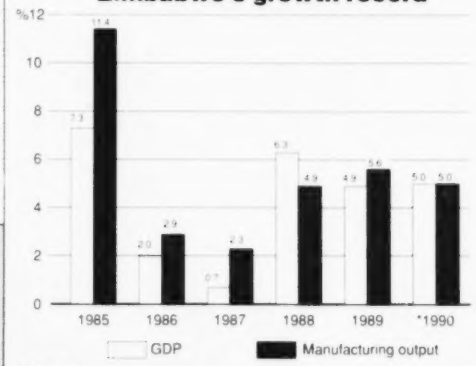
decade. Although not remarkable, this is a very respectable record and is ahead of population growth which was over 3 per cent. Furthermore, it has been achieved despite significant destabilization by South Africa, which required excess defence expenditure equal to at least half the budget deficit. In addition, there has been a stock market boom and a rapid rise in "non-traditional" exports, mainly clothing and footwear, metal products and horticultural produce.

Such a respectable growth record in recent years raises questions about why liberalization is considered so urgent when it is projected to yield only a similar growth rate, but which might also result in job losses and social unrest.

Trade liberalization has been strongly advocated by the World Bank in recent years in Zimbabwe as well as elsewhere. The new direction in Zimbabwean economic policy comes against the background of six years of dispute with both the Bank and the International Monetary Fund (IMF), during which the two agencies refused to give their approval to Zimbabwe's priorities. As a result the government implemented its own "home-grown" adjustment programme.

It was in March 1984 that the government of Zimbabwe decided that IMF conditionality associated with an agreement negotiated in 1982 was harming both its social programme, through the required expenditure cuts, and its balance of payments through the freeing of outflows. It therefore announced a resumed health and education programme, thus raising the budget deficit to about 10 per cent — from under 6 per cent — and it reimposed tight financial controls, including a freeze on dividend payments. As expected, the IMF programme was suspended and it has still not been restored. Zimbabwe introduced its own version of structural adjustment, which both protected social spending and maintained industrial protection as an integral part of a long-term development strategy. The "home-grown" programme involved a fair measure of austerity, but it restored the balance of payments to a sufficient surplus to allow the servicing and repayment of all debts without rescheduling, while returning the economy to a growth path.

Zimbabwe's growth record



* estimate
Source: Central Statistical Office, government estimates

can be obtained on the domestic market. This suggests that — at least in their present forms — TA's refrigerators and bicycles may find it difficult to compete against other suppliers.

Within the regional market, Mr. Chambati notes, Zimbabwe companies "have the advantage of distance." Local exporters can quickly deliver into this market and provide back-up services if anything goes wrong. And, he argues, with the right infusion of foreign exchange, the enterprises can be made more cost competitive.

Apart from the small amount of foreign exchange that the company gets via its exports, it receives various allocations from the government. But these, according to the TA chairman, are insufficient. What is required, he says, is for more items to be placed on OGIL. He, like many other industrialists, is doubtful about whether this will happen fast enough. According to Mr. Chambati, the only effect of the measures taken so far on TA Holdings is to give its soap manufacturing plant easy access to some vital inputs.

While realizing the economic constraints faced by the government — including an extra Z$500 mn on oil imports in 1990 as a result of the Gulf crisis — the impression among industrialists is that the sources of funding for the new programme are "piecemeal". The fear, the TA chairman says, "is that the bits and pieces will be a drop in the ocean: that at the end of the day you won't make much impact."

One hope for local companies, Mr. Chambati notes, is to team up with a foreign partner who would inject vital inputs either in cash or kind. An example is the joint venture formed between one of TA Holdings' companies and Cummins of Canada. This has enabled the company, which used to re-power diesel engines, to manufacture them.

Yet, according to Mr. Chambati, it took three years to negotiate the deal. Despite measures announced in October to strengthen the Zimbabwe Investment Centre (ZIC) and to make it more efficient, the Zimbabwean executive maintains that there are still major obstacles in the way of foreign investors.

Mr. Chambati cites the not unusual example of a Canadian businessman interested in going into a joint venture with TA Holdings who had an appointment with the director of the centre cancelled at the last minute. The businessman saw a junior official who could not give definitive answers to his questions. Eventually, the deal was abandoned.

ZIC, says Mr. Chambati, "has made a difference, in the sense that you are going to one place. But that one place is not functioning as it should. What is needed are a few very sharp businessmen to be seconded there for three years to work with the civil service." According to ZIC director Richard Wilde, the centre, set up in 1989, approved projects worth Z$750 mn ($300 mn) in its first year.

Provided the main obstacles are resolved, Mr. Chambati is confident that the Zimbabwean private sector is vibrant and adaptable enough to meet the challenges. TA, for example, has cut a new path with successful cross-border investments in Botswana, a route also taken by a number of other Zimbabwean companies. And, Mr. Chambati argues, if Zimbabwean companies can succeed outside their borders, they should be able to hold their own at home as well.

Zimbabwe: economic indicators

	1984	1985	1986	1987	1988	1989	*1990
GDP at current market prices (Z$bn)	5.6	6.2	7.0	7.3	8.3	11.1	14.0
Real GDP growth at constant prices (%)	2.3	7.3	2.0	0.7	6.5	4.9	5.0
Merchandise exports ($mn)	1174	1114	1303	1428	1589	1581	n.a.
Merchandise imports ($mn)	989	1032	1133	1209	1193	1335	n.a.
Current account balance ($mn)	-177	-76	+71	+48	+42	-120*	n.a.
Government deficit/GDP (%)	8.5	8.0	10.7	9.2	9.1	11.0*	n.a.
Total external debt ($bn)	2.3	2.5	2.7	2.9	2.7	3.1	n.a.
Debt service ratio (%)	26.0	28.4	31.8	33.9	34.6	25.6	n.a.
Official development assistance ($mn)	298	241	230	301	285	n.a.	n.a.
Inflation rate (%)	20.5	9.0	14.6	12.8	7.5	12.8	20.0
Gold production ('000 kilos)	14.9	14.7	14.8	14.7	15.0	16.0	16.4
Tobacco production (mn kilos)	120	106	114	127	120	130	130
Exchange rate (Z$ per $1)	1.2	1.6	1.7	1.7	1.8	2.1	2.5

Sources: Zimbabwe Government, Central Statistical Office, IMF, World Bank. n.a. = not available * = estimates

Despite its respectable growth record, Zimbabwe has been experiencing mounting problems, not least an acute shortage of foreign exchange. As a consequence many farms, mines and industrial operations have been forced to make do with imports as low as a third of those of the early 1980s and investment was undoubtedly harmed as a result. Antiquated machinery is characteristic of many parts of the economy, with adverse consequences for unit costs and international competitiveness. In part, the foreign exchange drought was a consequence of the government's determination to repay debts and reduce the debt-service ratio, which indeed fell from nearly 40 per cent in mid-decade to about 25 per cent in 1988, a remarkable achievement in the African context.

World Bank

Finance Minister Bernard Chidzero says that reforms will be implemented cautiously.

Manufacturing industry has performed surprisingly well under such difficult circumstances (see graph, page 19). Export promotion, particularly through the medium of a World Bank financed export-revolving fund, which fed much-needed foreign exchange to would-be exporters, has been very successful in raising manufactured exports, though at the cost of reducing the ability of firms to service the local market.

In 1987 the World Bank refused — perversely in the eyes of some analysts who point to its recognition of the success of the original scheme — to sign an agreement for an extension of the revolving fund. As a result, Zimbabwe had to resort to expensive commercial bank loans. This was, in fact, the year when Zimbabwe's freedom of manoeuvre was most tightly constrained and when the injection of funds from the Bank or the Fund — albeit at the cost of policy conditionalities — would have been most valuable in obviating the tight foreign exchange constraints under which industry has suffered since.

Why liberalization now

Three years later, when the country has successfully "toughed out" the debt hump and is growing strongly with rising imports, the need for trade liberalization might be thought to have lessened. This is especially so because of the relative success of export promotion measures already in place. Strengthening existing facilities, for example broadening the scope of the export revolving fund, could yield just as high returns in the form of export growth, some analysts argue, without the wider risks and costs inherent in a full liberalization package.

It is generally agreed that the plethora of controls and the associated delays has inhibited the growth of the economy and in particular the key industrial sector. Nevertheless, manufacturing industry has been very profitable under protection; it accounts for about 30 per cent of GDP and has shown itself able to export many goods to Europe and North America. Low investment has not been because of low profits, but because of the foreign exchange constraint, which adds to the risks of new investments.

Part of the answer to the puzzle of why liberalization is occurring now rather than three years ago probably lies in the accumulated costs for so small a country of simultaneously dealing with a debt crisis, the 1987 drought, destablization and reduced financial inflows as a result of Zimbabwe's disagreements with the Bank and Fund. Zimbabwe's growth has been bought, in other words, at the expense of low investment and, hence, very low job creation. Employment in the formal sector

has risen only 15 per cent since 1984 when it stood at a little over 1 million. This is a job creation rate of about 30,000 a year at a time when the number of school leavers has risen to over 200,000 a year.

The prospects

Trade liberalization will undoubtedly help relax the foreign exchange constraint and therefore allow higher investment. Industrialists argue that the domestic investment needed for expansion readily exists, with the right incentives. But liberalization will be at the cost of greater exposure to the world market. Some firms that are already competitive — such as many textile and clothing manufacturers and producers of agricultural implements and transport equipment — could benefit spectacularly as a result of the new incentives for investment in their expansion.

"Government is building into the programme measures aimed at protecting the poor and other vulnerable groups, such as women and children."

President Robert Mugabe

But the down side of liberalization is that other firms — infant industries, capital-goods manufacturers and those still learning new technology — could suffer as protection from international competition is removed. Some firms, for example, making machine tools on a very small scale, will undoubtedly prove unviable without high protection.

And there is a strong argument to be made that protection of such "uncompetitive" sectors is a price worth paying for the skills that they are developing and because of their integration with other parts of the economy. The government's explicit caution over the removal of all protective barriers seems to recognize this point. Evidence from earlier successes in export-oriented industrialization suggests that any ambitions for Zimbabwe to become a "new NIC" could be misplaced. The existing NICs have promoted exports whilst in fact retaining tight control over imports and financial flows, only liberalizing at a later stage. The evidence also suggests that at least as important as efficiency for a successful industrial strategy is improvement in the structure and integration of industry. That is, the need to identify or create comparative advantage in new areas, not merely to maximize the gains from trade based on existing comparative advantage. This has been recognized explicitly in Zimbabwe in the past, but may now be in course of being lost sight of.

Any expectation that liberalization will help solve the job crisis also needs to be closely examined. Investment is already highly capital-intensive and greater exposure to world markets will only make it more so if competitiveness is to be achieved. In this situation, even if investment is doubled — and the programme has set a less ambitious target — only about a fifth of school leavers will find jobs.

The promise of restored aid flows — a consultative group is expected to be held early in 1991 when the government will present donors with its funding requirements for the programme — could ease some of Zimbabwe's financial problems. The more Zimbabwe can avoid further heavy commercial borrowing the more benefit there will be to the future balance of payments. By end-1990, the government had secured a little over $250 mn of the $1 bn or so identified foreign exchange requirement, with loans from the African Development Bank and the International Finance Corporation.

Zimbabwe maize being exported. Phasing out subsidies and trade liberalization could hurt future production.

But there is a danger that the price being asked for this financial support — a new "home-grown" liberalization programme that is, arguably, no more than a variant of the slightly more enlightened "adjustment with a human face" now coming out of the World Bank — will jeopardize the achievements Zimbabwe has already made, particularly in the social sector. Because Zimbabwe is restructuring from a position of relative strength, its programme may be more successful in producing self-sustaining growth than those forced on countries, such as Ghana, which seem to require high inflows of aid indefinitely . The easing of many restrictions and controls will improve the investment climate. But even if the programme manages to achieve the targeted 5 per cent growth rate — as Ghana has done — this is little better than Zimbabwe's recent record under its own "home-grown" adjustment. Given the high population growth rate, success will have to be measured in growth rates above 6 per cent, together with much more rapid job creation. As yet no one has any realistic proposals about how to achieve that. ■

Mauritius faces new challenges

Mauritius was one of Africa's success stories during the 1980s. While other economies went into decline, Mauritius took advantage of opportunities in the international trading system to grow strongly through much of the decade. Its recipe for success, however, will be hard to emulate. It, too, is facing more difficult times, both domestically and internationally. But it is using the strength given by its success to find new paths to economic growth and development.

By Patrick Michel in Port Louis

Mauritius has been one of Africa's great success stories in recent years. On the brink of economic and social collapse at the beginning of the 1980s, 10 years of astute economic management have transformed the country, with per capita income doubling between 1983 and 1989.

With large exports of sugar going to the European Community (EC) under the Sugar Protocol at three times the prevailing world price providing an economic bedrock, a spectacular growth in manufactured exports from the country's Export Processing Zone (EPZ) has set Mauritius on the path to becoming a newly industrializing country (NIC). Some African countries are now turning to Mauritius for development recipes for solving their own economic plight (see page 24).

Mauritius' success, however, may be hard to emulate. Fortunate timing, with world trade growing strongly after 1983, and special factors in its major markets, the EC and US, where Mauritius enjoyed preferential access, were as important as astute management, recent analysis argues. "The discriminatory protectionist regimes in the developed countries have proved a windfall to the EPZ industries in Mauritius," the World Bank says.

But Mauritius' economic success is now under threat. Rising employment has led to labour shortages which are constricting further growth and — through higher wages — eroding the international competitiveness of manufactured exports. Inflation has been rising, placing in jeopardy the steady improvement in living standards.

Above all, Mauritius faces threats to continued expansion in its two major markets, which account for over 80 per cent of exports. Changes in the trade regimes of the EC and US could erode the protectionism which Mauritius has been able to use to its advantage. Recession in these markets will have a further large adverse impact.

Mauritius is now at a vital crossroads in its development, government ministers warn. In a move which has lessons for other governments, Mauritius is adapting to new market conditions by undertaking a series of measures designed to diversify the economy and keep the country on its growth path. The attempt to find new markets and new products, however, involves new risks which underline the continuing vulnerability of African countries competing in the international market-place.

Booming trade has been at the core of Mauritius' economic success story.

IMAGE BANK, Guido Alberto Rossi

Successful adjustment

At the beginning of the 1980s the Mauritian economy was in danger of collapse. Almost totally dependent upon sugar for its export earnings, even higher EC prices could not

Patrick Michel is deputy editor-in-chief of Port Louis-based L'Express.

Mauritius at a glance: 1989

Population:	1.1 million
Population growth rate:	1%
GNP per capita:	$1,900
Currency:	Rupee (MR 15.1=US$ 1)
Gross domestic product:	MR 31.6 bn ($2 bn)
of which: agriculture	13%
manufacturing	25%
Total external debt:	$832 mn
Debt service ratio:	9.8%
Life expectancy at birth:	70 years
Infant mortality rate:	24 per 1,000 births
Adult literacy rate:	90%

Sources: UN Fund for Population Activities, International Monetary Fund, World Bank

outweigh the impact of higher import bills from the second major oil price hike in 1979. In 1980, Mauritius' gross domestic product (GDP) fell by nearly 10 per cent, the balance of payments was in deficit to the tune of 11 per cent of GDP, inflation was running at over 40 per cent and unemployment at 20 per cent. A general strike the previous year and rapidly shifting political alliances which translated into frequent changes of government bore witness to the wider consequences of the economic malaise.

Two major devaluations of the Mauritian rupee — in 1979 and 1981 — failed to improve the situation. Adjustment programmes with the World Bank and the International Monetary Fund (IMF) collapsed. Gradually, however, this situation, typical of many other African countries during the 1980s, was transformed. At the core of the strategy was a further improvement to the incentives structure for manufacturers, coupled with a conservative fiscal policy and a floating of the exchange rate. Liberalization of the trade regime coincided with improvement in the external environment, with world trade growing strongly from 1983.

The government pegged the rupee to a weighted basket of the currencies of its major trading partners. Between 1982 and 1989 the rupee depreciated by nearly 40 per cent against the special drawing right (SDR), aiding the competitiveness of its exports while at the same time acting as a disincentive to imports.

Incentives for the EPZ, included exemption from import duties on equipment and raw materials and liberal rules for the repatriation of capital. In 1985 these measures were extended to other exporters as part of a broader revision of company taxation, which included a reduction in corporation tax from 55 per cent to 35 per cent.

The measures succeeded in attracting a new wave of investment into the EPZ. Asian textile manufacturers, hit by quota restrictions in the US market, were attracted to a country which then did not face the immediate threat of volume limitations on its exports to this important market. Hong Kong firms, also fearing the implications of the take-over of the colony by China in 1997, were a major source of new investment.

Political debate in Mauritius remained lively throughout the 1980s, but the country retained a stability and a consistency in its economic policy which won the confidence of investors, both domestic and foreign. Capital flight, in particular, has rarely been a threat, with the result that local funds account for a remarkable 50 per cent of equity investment in the EPZ. This has had important consequences for the stability of investment and production in the EPZ, as well as the options for future development. Gross domestic investment, as a percentage of GDP, has been an enviable 20 per cent or more for most of the 1980s.

With world trade booming, Mauritius was able to capitalize on its more open fiscal and trading regime. Efficiently promoted by the Mauritius Export Development and Investment Authority (MEDIA), which has offices in many parts of the world, the number of firms in the EPZ grew by an average 32 per cent a year between 1983 and 1988. Uniting domestic capital with the detailed marketing acumen of already established overseas firms, Mauritius was able to compete effectively in the international market-place. Output from the EPZ grew by an average 15 per cent a year over the same period, by when manufactures accounted for over 50 per cent of foreign exchange receipts, relegating sugar to second place.

By the end of 1988, employment in the EPZ had risen to 90,000 — the majority of them women — up from 25,000 in 1983 and representing 20 per cent of the labour force. Mauritius' era of full employment had been ushered in. Rising demand for labour helped to ensure that wages also increased significantly.

Prime Minister Sir Anerood Jugnauth warns that Mauritius faces threats in important markets, such as the EC.

While manufactures were expanding, the sugar sector continued to provide a solid base of export revenue. With 80 per cent of sugar exports guaranteed entry into the EC under its Sugar Protocol with African, Caribbean and Pacific members of the Lomé Convention, at prices

which, between 1983 and 1988, were three times the world average, Mauritius has been insulated from much of the vagaries of the global commodity trading system. This dividend alone was worth an estimated $800 mn between 1980 and 1986.

Still the largest employer after the EPZ, the sugar sector remains vital to the welfare of Mauritius. Moreover, its far lower dependence on imports means that it is the largest net earner of foreign exchange. The World Bank calculates the ratio of net earnings to gross exports for sugar at 80 per cent, compared with 23 per cent for manufacturing industries and 15 per cent for tourism, the third important element in Mauritius' economic turn-around.

Blessed with beautiful beaches and an attractive climate, Mauritius has much appeal for tourists willing to pay the relatively high cost of getting to the main island. Following an expansion campaign which has significantly increased hotel accommodation and improved air capacity, the number of tourists has more than doubled since 1983, with earnings up from MR503 mn ($33 mn) to MR2,374 mn ($158 mn).

With expansion in the EPZ and tourism and a steady performance in the sugar sector, Mauritius has enjoyed a real rate of economic growth of close to 7 per cent since 1984. With population increasing at less than 2 per cent a year, this has meant a significant rise in living standards for a populace already enjoying generally higher standards than elsewhere in Africa. While continuing to spend significantly on the social sector — health, education and social security/welfare account for around 40 per cent of the budget — the government was also able to repay early the loans taken out in the traumatic years of the late 1970s-early 1980s, not least to the IMF. From a peak of 26 per cent in 1984, the debt service ratio fell to under 10 per cent in 1989.

Future uncertain

The road to continued growth, however, no longer looks so smooth, with the economy in danger of overheating, as the drive for growth comes up against labour shortages in particular. Full employment is now putting pressure on

EPZ shifts to new phase

Towards the end October 1990, government officials from 13 African countries interested in setting up export processing zones in their countries met in Mauritius. Organized by the US Agency for International Development and the Washington-based Overseas Private Investment Corporation, the meeting was designed to demonstrate the mechanisms of setting up and managing a successful Export Processing Zone (EPZ). Despite the number of problems now beset ting Mauritius' EPZ, there was still a lot to show.

Women form the majority of the EPZ work-force.

The evolution of Mauritius' EPZ, set up in 1970, has shown three distinct phases. From 1971 to 1976, 84 EPZ enterprises started operation. The second phase, from 1977 to 1982, was characterized by a slowdown in the growth of EPZ output, largely attributable to worldwide recession after the second oil price hike, although profound political and labour unrest may have also contributed to the slowdown.

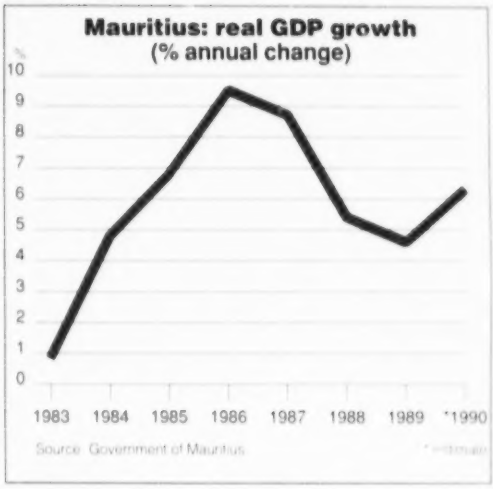
From 1983, EPZ activities regained their momentum, reinforced by more outward-looking strategies devised by the government. Actively promoted by the Mauritius Export Development and Investment Authority (MEDIA) the EPZ attracted investment from France, Germany, the Netherlands, India, Singapore and Hong Kong, as well as a substantial amount of domestic capital. Hong Kong manufacturers, facing a duty of 17 per cent into the European Community and hitting quota ceilings in the US market, in particular, were attracted to Mauritius, where wage rates were also substantially lower.

Growth in the EPZ was helped by successes in getting round the complicated rules of origin governing preferential access for manufactures to the EC market. Garment and textile companies showed ingenuity in developing local sourcing in yarns, thread, buttons and other accessories, some of which came from firms outside the EPZ. One consequence of this, has been wider vertical integration in the industry, with developing linkages into the local economy.

By 1989, 543 units were in operation in Mauritius' EPZ, which now accounted for 25 per cent of gross domestic product (GDP), compared to 15 per cent in 1982. The particular combination of factors attracting textile manufacturers actually increased the EPZ's dependence upon this sector, despite efforts at diversification, by 1988, garment and textile production accounted for 88 per cent of total output.

wages. Pay deals in 1987 and 1988 — the public sector got a 40 per cent rise in the former year — have affected costs in the EPZ, which remains highly labour-intensive. Wage increases in 1990 have been fixed at a maximum of 11 per cent, below the expected rate of inflation. Comparative wage costs are difficult to assess, but analysts say there is anecdotal evidence to suggest that Mauritian labour costs are now higher for some operations than in keen rivals, such as Thailand.

Changes in the EPZ's relative cost structure come against the background of a less favourable international trading environment as both of Mauritius' major markets — Europe and the US — face a slowdown in economic growth. Mauritius' more difficult position is compounded by the prospects of other market shifts. Mauritius' success has been on the back of preferential access to markets, which the Uruguay Round of trade negotiations now threatens to severely erode, including the proposed elimination of the Multi-Fibre Arrangement, which has restricted textile imports into Northern markets.



The threat does not stop at textiles. Liberalization in agricultural trade could also affect sugar earnings. The Sugar Protocol with the EC is expected to remain, at least for the time being. But any gradual reduction in price support measures agreed in the Uruguay Round will affect the price Mauritius gets for its sugar, which is directly linked to the EC internal price. Already prices have remained frozen in the last three years. A 2 per cent reduction in the guaranteed price to ACP exporters would cost Mauritius $100 mn for the 1991/92-1995/96 period, according to estimates by the sugar industry.

The dangers inherent in this dependency were illustrated that same year, with shifts in the US market hitting the demand for knitwear products. Now idle capacity led to the loss of some 2,000 jobs in the EPZ.

Mauritius' experience showed that the problem of market volatility was made worse where firms were the wholly-owned subsidiaries of foreign companies. Production and marketing decisions were made purely on the basis of factors affecting the parent company.

Through MEDIA the government has long been trying to diversify the EPZ. While there are no specific injunctions determining what products should be produced, MEDIA is reportedly discouraging further investment in the garments sector. Investment in leather products, jewellery, semi-precious stones, toys, printing and plastics are all being actively promoted, with mixed results.

Since 1988, problems associated with falling demand in key markets have been compounded by changes in the EPZ's own cost structure and sharp declines in productivity. Output has slipped by 8 per cent since 1988, according to one industrialist. High wages and a growing problem of absenteeism have raised fears that further growth in the EPZ could be at risk.

The response has been two-fold: a move up-market and a shift of labour-intensive production to lower cost areas, such as Madagascar. The pressure on wage costs of mounting labour shortages has stimulated a move towards more capital-intensive production. This has the advantage of easing the labour constraint, while also providing the opportunity for the EPZ to capture the higher returns usually associated with more processed products.

The shift is already underway, with the government actively promoting the development of an electronics and informatics manufacturing capacity through, for example, the establishment of a specific electronics park where the capital costs of infrastructure such as a sophisticated telecommunications system can be defrayed.

The World Bank argues that the potential for further expansion in the EPZ's traditional markets, such as garments "has by no means been exhausted." Existing facilities and marketing experience could be quickly adapted to exploit opportunities in areas such as ties, socks and scarves, it suggests.

In order to retain competitiveness in the garments and clothes sectors, Mauritian firms are considering shifting their base to other islands in the Indian Ocean. This would enable them to take advantage of cheaper labour costs while dividends could still accrue to Mauritius. The largest textile firm in the EPZ, Floreal Knitwear, partly owned by one of the largest sugar estates in Mauritius, has already transferred part of its garments manufacturing capacity to Madagascar where it is now employing 1,000 workers.

The government is encouraging this development. In the longer-term, it sees the development of Madagascar as a low-cost off-shore manufacturing base, much in the same way that parts of southern China became for Hong Kong during the 1980s. The move is controversial, with critics arguing that Mauritian capital is funding potential rivals at the cost of future jobs in Mauritius.

Despite its problems, Mauritius' EPZ has a number of options for continued expansion. Attractive incentives, appropriate cost structures, astute marketing, including detailed knowledge of particular sectors, and an active involvement by local capital and enterprises have all been factors in the EPZ's relative success. For the future, its ability to maintain its capacity for rapid adaptability to changing markets will be key to retaining its status as one of Africa's success stories.

Mauritius: economic indicators

	1983	1984	1985	1986	1987	1988	1989	*1990
GDP at market prices (MR bn)	12.8	14.4	16.6	19.7	23.6	27.8	31.6	n.a.
Real GDP growth (%)	0.9	4.8	6.8	9.5	8.7	5.4	4.6	6.3
Government deficit/GDP (%)	9.3	6.6	5.6	3.4	2.1	2.6	3.2	2.3
Gross investment/GDP (%)	17.5	22	23.5	21.9	26	25.5	20.4	n.a.
Exports ($mn)	508	507	581	893	1224	1402	1455	1639
Imports ($mn)	557	590	645	848	1227	1559	1603	1831
Current account balance ($mn)	-24	-56	-29	94	63	-64	-71	n.a
Total external debt ($mn)	568	550	629	668	811	857	832	n.a
Debt service/exports (%)	24.1	26.3	24.2	14.7	10.6	14.3	9.8	n.a
Sugar production ('000 tonnes)	604.7	575.6	645.8	706.9	691.1	634.2	568.0	630.0
Food prod. per capita (1979-81=100)	94	90	98	102	102	n.a.	n.a.	n.a
Foreign res. (mths import cover)	0.3	0.5	0.6	1.9	3.4	3.4	3.9	4.2
Exchange rate (MR per $1)	11.7	13.8	15.4	13.5	12.9	13.4	15.2	15.1
Inflation rate (%)	5.6	7.4	6.7	1.8	0.5	9.2	12.7	†16.0

Sources: Government of Mauritius, IMF, World Bank, FAO. n.a. not available. * estimates. † September rate.

Even if the threatened collapse of the Uruguay Round ushered in a period of increased protectionism, Mauritius could still lose out in its vital EC market. Unification of the European market in 1992 and the major attraction of Eastern Europe as a trading partner could both hit demand for Mauritian goods. "Fortress Europe" is a threat which "should not be ignored," Prime Minister Sir Anerood Jugnauth warned recently.

For the moment Mauritius' impressive growth record has not taken a serious downturn. The government has been estimating real growth of over 6 per cent in 1990. The Gulf crisis, has had the immediate impact of raising the 1990 oil bill by 50%. Nevertheless, growth is still expected to have been around 5 per cent.

But the signs of strain are also showing. Output growth in the EPZ has slowed significantly in the last two years. Tourism continues to grow, but the threat of environmental pollution and degradation is raising concern in many areas. The inflation rate has climbed to an unacceptable level of around 16 per cent. Import growth is outpacing export earnings and there is a worrying deficit trend in the current account balance. For the moment, the budget deficit remains under control and at the equivalent of more than 4 months, import cover, foreign exchange reserves appear relatively healthy. Yet, the government has not felt sufficiently confident about future prospects to implement further liberalization of the country's credit regime, which the World Bank considers to be important to any future growth strategy.

New paths to growth

Economic Planning Minister Beergonath Ghurburrun warns that the economy is now at a crossroads. Problems arising from the development achieved in the 1980s may hamper future progress, he says. The minister cites labour shortages, cost-push inflation, fierce competition from newcomers in the export field, as well as productivity issues as all presenting threats to future growth. Economic analysts agree: "Growth is not to be assumed," one says. Mauritius "has been lucky up to now and it will have to look sharp."

Diversification is the new thrust of Mauritius' economic strategy. Firstly, this applies to finding new markets. Asia (and in particular, Japan) is seen as offering good prospects for market growth. African neighbours too represent prospective customers for Mauritian manufactures, despite the continuing constraints on import capacity in many countries. Mauritius is a member of the Preferential Trade Area for Eastern and Southern Africa. Southern Africa and Indian Ocean countries are viewed as increasingly important trading partners. Mauritius' import-substituting industries, actively nurtured by the government since the 1960s, are now receiving many of the incentives open to the EPZ to encourage sales into this market.

The other major thrust in Mauritius' new economic strategy is product diversification. To counter the challenge of rising wage costs to its competitiveness, the government envisages the EPZ shifting to a second phase of more capital-intensive production. The electronics industry has been identified as offering some of the best prospects for new investment, though the particular niche in this rapidly changing market that Mauritius can exploit is still a matter of some debate. Already, one French company has agreed to invest, the government claims, while negotiations are also underway with German, US and Indian electronics firms.

The new strategy is presenting new problems. Rules of origin clauses in the Lomé Convention, successfully overcome to date, could require sourcing of component parts from the Community, with potentially adverse implications for the price competitiveness of Mauritian products. It also will require improvements in the facilities Mauritius can offer would-be investors. Its telecommunications system, for example, is being upgraded. Even then, disputes over telecommunications charges remain.

Above all, the new strategy demands a shift from a mostly unskilled labour force to a more highly trained one. This requires a large investment of both time and money. The government has imposed a 1 per cent levy on the national wage packet — paid by the employer — to help fund a Human Resources Development Programme. In March 1990, donors pledged some $60 mn towards the $120 mn scheme.

The training programme, by providing an expanding pool of skilled workers, will help to reverse a worrying decline in productivity, the government believes. A National Productivity Centre is to be established to implement policies in this area, formulated by a Council which is also to be set up. The government is also to appoint a National Wage Council which, it hopes, will help rationalize wage policies.

Financial centre

Besides developing the electronics sector, Mauritius also wants to move into the field of services. The strategy aims to make Mauritius a regional financial centre through the establishment of off-shore banking activities. By liberalizing investment and controls the government hopes it will make itself attractive to financial houses interested in channelling investment funds, both from and into Africa.

With little or no track record in this area, the government is carrying out an extensive promotional campaign. Mauritius has to make sure that it moves "sufficiently quickly to catch the opportunities in the region and in southern Africa," Prime Minister Jugnauth told a meeting of bankers in early October. With modern technology permitting round-the-clock trading, "time zones are no longer relevant," comments one banker. "Much more important is being close to the African market."

Four banks have already started off-shore operations and four others are expected to start soon. The Gulf crisis could help Mauritius' ambitions by attracting some investment interest away from Bahrain, which is seen as a major competitor.

Mauritius' agricultural sector is also being reformed. The 1988 Sugar Act contained a number of measures to encourage greater efficiency as well as providing more incentives for smaller producers. Diversification into special sugars is being pursued. The government is also encouraging diversification into other crops. This includes both new export crops — flowers and tropical fruits such as papaya are already attracting new investment — and food crops as part of an on-going drive to improve self-sufficiency in this area. Despite greater attention to the EPZ, Mauritius has maintained an upward trend in per capita food production during much of the 1980s.

The agricultural sector is also an important source of greater self-sufficiency in energy. The government has encouraged investment by the sugar estates in the development of bagasse, a fuel derived from the residue of cane sugar production. Some 15 per cent of local electricity needs currently comes from the sugar factories and the government hopes to double this ratio within the next three years.

Tourism is also expected to continue its expansion — 300,000 tourists are expected to visit the islands in 1991 compared with only 150,000 five years ago — though there is talk of a ceiling on tourist numbers being imposed, following environmental concerns. The World Bank has recently approved an environment loan which will help.

Despite expected slower growth, the government is facing the future with some optimism. Diversification into new areas will help to preserve the gains of the 1980s, both in terms of a renewal in the growth in real per capita incomes, now under challenge from inflation and in the preservation of the country's welfare state — free education up to secondary level, free medical service and social security for old-age pensioners.

Sir Anerood Jugnauth, prime minister since 1982, has called for a "new partnership agreement" between all sectors of the community to forge a consensus which recognizes "the continued fragility" of the Mauritian economy. Mauritius' political tradition ensures that there continues to be lively debate on many of the specific policies to be pursued, such as Mauritian investment in other parts of the Indian Ocean and the future of tourism, but there appears to be general consensus on the need for Mauritius to continue its policy of constant adaption to an ever-changing international economic environment.

Mauritius is not necessarily a model which other African countries can follow, particularly given the heavy outward-orientation of its policies. The compactness of an island economy, with a population of only some 1 million, provides many advantages in the management of economic change. Mauritius' social sector problems — in schooling, health facilities — are also less acute than elsewhere in Africa. Many of the advantages Mauritius managed to exploit in the 1980s, are unlikely to hold true for the 1990s. Nevertheless, Mauritius' success in practicing a coherent but flexible set of economic policies — and within the context of a lively democratic political tradition — are seen by analysts as important pointers. The stability and consistency which has been the product of this approach, it is argued, has created the confidence which has translated into a constantly high rate of foreign and domestic investment. It is the bedrock on which Mauritius hopes to marshall the resources to meet the new and equally difficult challenges of the 1990s. ■

Sugar has provided a stable base of export earnings.

IMAGE BANK, Guido Alberto Rossi

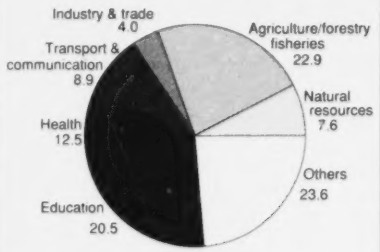
NaTCAP

from page 1

technical co-operation in order to promote sustainable development. A forthcoming statement by DAC on the principles of technical co-operation describes NaTCAP as one of the promising methods towards this objective.

DAC countries provide over $4 bn in technical co-operation loans to sub-Saharan Africa every year. This is half their total technical co-operation to developing countries and a quarter of their total official aid. But total technical co-operation to sub-Saharan Africa is in fact $7-8 bn a year, according to UNDP, taking into account worldwide bilateral and multilateral contributions, and substantial amounts of investment-related technical co-operation.

Technical assistance to sub-Saharan Africa in 1988
(% shares; excl. Nigeria)



Source: Organization for Economic Co-operation and Development

These sums mainly pay the salaries and overheads of about 100,000 expatriate consultants. In several countries, these salaries approach, and sometimes even exceed, the wage bill for the national civil service. In Madagascar's case, technical co-operation in 1988 amounted to $80 mn, which was 80 per cent of the public sector wage bill. In Guinea, technical co-operation in 1989-90 was 86 per cent of the wage bill for 45,000 public servants. Against these high salaries and fringe benefits, the results of the experts' work are often hard to see and usually short-lived.

This has contributed to existing demoralization among African professionals whose qualifications and experience are often equivalent or higher than their expatriate advisers. The World Bank says greater use of local consultants can reduce overall costs of technical co-operation by 30-50 per cent. Others add that it will play a big role in making technical co-operation more appropriate and more sustainable.

What is NaTCAP?

The National Technical Co-operation Assessment and Programmes (NaTCAP) is a long-term process for strengthening the domestic planning, co-ordination and management of technical co-operation within the framework of national development priorities.

NaTCAP helps develop a government's strategy and policy by setting up a database on past and current technical co-operation projects. This includes the costs of the projects to donors and government, as well as the quantity, national origins, and sectoral distribution of the personnel involved.

There are two major outputs of the NaTCAP exercise: a strategic policy framework, and a detailed document of priority technical co-operation programmes. An African government produces these documents with UNDP help and in discussion with key donors. The documents are regularly reviewed with donors to monitor such issues as the level of government participation in project selection and design, and the optimum mix of expatriate personnel, training and equipment.

Until the policy framework and programme documents are ready, UNDP prepares and presents a paper on technical co-operation issues at Consultative Group and Round Table meetings. Some 20 such papers have been presented so far.

The first NaTCAPs were launched in 1986 in Swaziland, Zambia, Central African Republic is not, Burundi, and in 1987 in Mozambique, Benin, Guinea-Bissau, Ghana, and Guinea. Tanzania launched its NaTCAP in 1988 while the overall methodology was being revised by UNDP.

There are now 28 NaTCAP exercises underway (including one in Haiti), with another 12 planned (five of them in Latin America). Only Swaziland and Guinea have reached the final stage of an operational Technical Co-operation Programme (TCP). Guinea-Bissau, Mozambique, Burundi and Malawi are expected to reach the TCP stage by July 1991, with Swaziland and Guinea finalizing their second TCPs.

This is confirmed by figures presented to an end-1989 NaTCAP seminar in Ghana which stated that 265 foreign consultants were recruited in the 1986-88 period at a monthly salary of between $3,000 and $5,000. Ghanaian consultants were used for only 5 per cent of the available work in that period, at fees ranging from $500 to $2,000 a month. Their public sector colleagues received between $80 and $200 a month.

In several African countries, foreign consultants' salaries approach and sometimes even exceed the wage bill for the national civil service.

It has been argued that the heavy use of expatriate experts has given rise to a "development industry" with vested interest in its own survival. One particular irony is that some 100,000 skilled Africans are working in Europe and North America, while back home, "indigenous capabilities are hidden, scattered, or badly used," said Mr. Damiba in an interview with *Africa Recovery* (see page 31). However, making full use of African professionals will be a long process, which the NaTCAP acknowledges by placing this in a 10-year perspective.

The World Bank has also been appraising technical co-operation, especially in sub-Saharan Africa where its failings are said to be acute. About 70 per cent of Bank technical co-operation loans to the region since 1980 has been spent on expatriate experts working with African policy-makers and managers. This form of technical co-operation has grown rapidly with the structural and sectoral adjustment lending of the 1980s. The International Monetary Fund has also been sending increasing numbers of experts in economic and financial management. In July 1989, it became UNDP's executing agency for technical co-operation projects in this area.

The Bank says African countries often feel such services are imposed as a condition for external financial aid. Inadequately involved in the identification and design of projects, African governments have been passive recipients of this "donor-driven" technical co-operation, which has contributed little to building local management capacity.

A similar analysis was made at an end-1989 NaTCAP seminar in Ghana by Secretary for Finance and Economic Plan-

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AN INTERVIEW WITH UNDP'S PIERRE-CLAVER DAMIBA

Setting an agenda for African expertise

Pierre-Claver Damiba, UNDP Assistant Administrator (Africa): NaTCAP will help make effective use of technical co-operation.

What are the main objectives of NaTCAP?

You must really ask: to what extent has technical co-operation been able, over the decades, to build national capacity, develop national skills, and transfer knowledge? The answer is that technical co-operation has largely been a major failure. It has been recycled for years and years, decade after decade, and we are still designing projects for capacity-building. We are still doing, after some 40 years, what technical co-operation was meant to do from the very beginning.

Many African countries didn't know the total cost [of this technical co-operation]. When we were able to add up all the figures, it was clear that in most countries technical co-operation accounted for over one-third of official development assistance (ODA). In Liberia, it was 60 per cent of annual ODA. In Burkina, technical co-operation cost nearly one-half of export earnings. In Guinea-Bissau, there were more expatriate experts than indigenous professionals. In absolute terms, the cost of technical assistance in Zambia in 1988 was over $100 mn a year, and in Zaire and Tanzania over $200 mn a year.

This is only because of the unco-ordinated, "butterfly approach". Every individual donor negotiates with the government: for one project, two technical assistants; for another project, five technical assistants. There was no macro-economic approach to the whole thing. This is one of the major concerns of the NaTCAP: to get governments to put the totality of technical co-operation together as a macro-economic variable. When African governments began to see the magnitude of the cost of technical co-operation, they started to consult, and to question the effectiveness of the approach.

How does NaTCAP work?

NaTCAP, of course, is a cycle which is not completed in most of the African countries. It is an output-oriented exercise. The first output is data collection, getting the right figures and data on technical co-operation in a given country.

The second is to design new policies on technical co-operation. Before the NaTCAP, there was no policy and there was no data collection. Now, thanks to the NaTCAP, each country should have a technical co-operation policy, just as it has an investment policy.

A third output is to have a technical co-operation programme that will establish the top priorities in support of the policy. Instead of letting the donors come and say: "This is the priority...if you don't take technical assistance from our country to support this project, you will not get the money." Now, the African official will say: "No. My technical co-operation programme priorities are A, B, C, D. If you agree to support these projects, then fine. If you disagree, then thank you..." So, the decision-making process returns to the African country.

But we have not yet reached the third output in most of the African countries. As a forward-looking, action-oriented programme, NaTCAP has been quite difficult to get started. We did not want it to be donor-driven, just parachuting the programme into a country. Ours has been a facilitating type of role, respecting the pace of individual governments, and helping the countries to mobilize themselves to do their own studies.

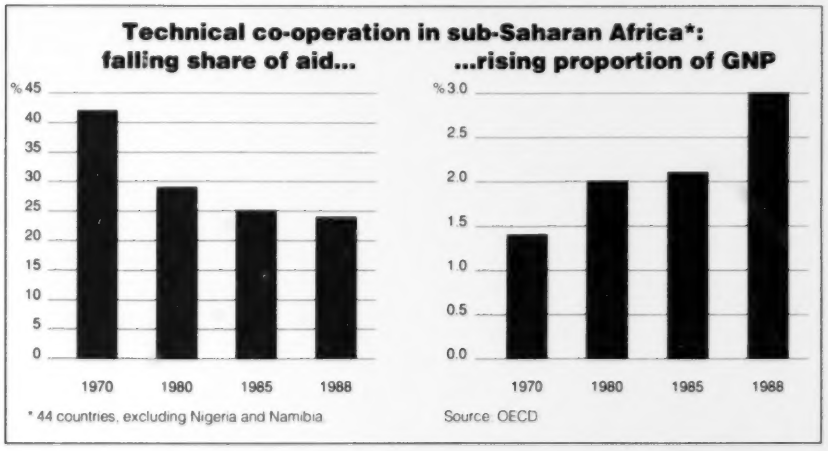
What will ensure the transition from donor-driven to domestic-directed technical co-operation?

There must be greater awareness among both recipients and donors. But technical co-operation issues must also be part of the policy dialogue between donors and recipients. This will mean that on the basis of lessons drawn from the past, we will be able to better programme technical co-operation in support of policies, in support of priority programmes, and also public investment programmes.

Technical co-operation is now part of the overall package of the macro-economic management of a country. Also, donors and African countries have decided that at the UNDP Round Table meetings, and at the World Bank Consultative Group meetings, NaTCAP will be on the agenda, as part of the policy dialogue. And when the countries get to the stage of having a strategic policy framework for technical co-operation, we will organize a special donors' meeting with that as the main item for discussion. I think this is one of the main results of NaTCAP so far.

What is the relationship between the NaTCAP and the African Capacity Building Initiative (ACBI)?

They have the same basic long-term objective, namely to have Africans playing a substantive role in the design and implementation of development strategies, but the means are different. The NaTCAP process will help make effective use of technical co-operation, from policy analysis to the



programming of national priority requirements. The ACBI is a $100 mn fund launched last June by the African Development Bank, the World Bank and UNDP to support national and regional initiatives in building indigenous capacities for economic management. It will mainly act at university levels, establishing think-tanks, and providing funds for training, fellowships, institutional and research facilities. So while the ACBI will provide for long-term needs for building economic management capabilities and sustaining institutions, the NaTCAP quickly and continuously helps to make technical co-operation more useful in the context of long-term national requirements.

What is the present cost of technical co-operation?

We know that we currently have in Africa 80,000-100,000 expatriate technical assistants. The cost, according to the most recent figure from the Organization for Economic Co-operation and Development, is at least $4 bn a year.

At the same time, in the US we have 34,000 African professionals working in the private sector and in international organizations. We also have 70,000 African professionals working in Western Europe. As a result of the "success story" of technical co-operation, there are roughly equal numbers of expatriates in Africa and Africans working outside Africa. So, technical co-operation must be used as a complement to indigenous capabilities which exist, but are very often hidden, scattered, or badly used.

Are there problems with recruiting such skilled Africans?

If we want to change things to make sure that trained people remain in Ghana, in Nigeria, in Burkina, etc, the whole "game" of development assistance has to be revised.

One thing is to make sure that the domestic environment enables professionals to stay in their country. It means a political environment in which competence is respected. This is not the case in many African countries because competence can give rise to fears of competition for power. So there should be an enabling political environment.

There should also be financial incentives, as well as the equipment that people need for their work. This may mean a computer, or surgery equipment. Conditions of service need to be strengthened and improved.

But this will not be viable if the already cash-strapped domestic government has to pay for all these things. Donors and African governments can work together to promote this enabling environment. If we know that five years from now, Ghana will not need any external help with the salaries of professional recruits, why doesn't UNDP pay some salaries? Structural adjustment lending could provide some budgetary support for the government to pay salaries. So, there is a way to address such issues through the NaTCAP.

UNDP/Mary Lynn Hanley

Technical co-operation is expected to complement indigenous capabilities more effectively and play its role in long-term national requirements.

We have already done surveys in two countries, Uganda and Ghana, on conditions of service and how to make the public service attractive for professional people to come back or to stay. We have gone further in Uganda to work on the possibility of a public service fund to which donors could contribute.

So, donors should spend some of the $4 bn a year on Africans who are also capable of doing the job?

Exactly. Why can't part of that sum be spent on creating the enabling environment for African professionals? If you could perhaps isolate 200 top civil servants and provide enough incentives, policy reform and priority programmes would be sustainable. It would not require a lot of money.

For example, one African government was asked, after discussions with the International Monetary Fund, to retrench 2,000 people from the public service. The combined salaries of these 2,000 people was equivalent to the salaries of less than 10 World Bank resident experts. And this sort of thing is put as a condition for assistance.

These are some of the facts that should be taken into consideration for the improvement of technical co-operation. They are not debatable. We sent missions to the countries, we held discussions with the OECD's statistical office, and with the World Bank, to make sure that there was no political bias, and that there were no doubts about the facts.

When I got the idea of the NaTCAP in 1985, things were very, very difficult. People said: "This is a tricky issue...very sensitive." Some said the idea would just collapse. I said no; let us research the facts. Others said a lot of governments would be opposed to the idea. But we managed to get African governments to agree that this exercise was in their interests.

I also managed to bring France, the main provider of technical assistance to Africa, around. Now France is on board, and in early December I was invited to present NaTCAP in Paris to France's technical co-operation managers resident in Africa. I asked France to take part in the evaluation of NaTCAP. And they have sent two people to go from country to country seeing how NaTCAP is working. Now some Latin American countries have requested the NaTCAP. Haiti is already involved. Sudan, which is in UNDP's Bureau for Arab States and Europe, is also interested. We have received a request from Bangladesh, and we sent a mission there.

If we say that development should be *human* development, then its primary goal must be to strengthen the capacity of a country to develop its own institutions and policies in the context of its own culture. That is true development, the core of human development. ■

Guinea makes progress with NaTCAP

Guinea's NaTCAP, one of the first two in Africa to reach the final operational stage, has already resulted in savings of $10 mn on technical co-operation costs in 1990, and a similar saving is expected in 1991. According to a UNDP evaluation team, the Guinean government was able to reduce the number of non-priority projects, as well as avoid duplication in other areas of technical co-operation through the rationalization efforts of NaTCAP.

The technical co-operation programme document for 1990-92 won the expected support from Guinea's major donors at a 14 November conference in Conakry. Among those welcoming the TCP as a positive step was France, which is the main provider of technical assistance to Guinea, and to sub-Saharan Africa as a whole.

Financing requirements for the three-year period are $291.2 mn, of which $179.5 mn has already been secured from donors, among which the World Bank, France, UNDP and the European Development Fund are the four largest. Technical co-operation will be most active in rural development (32 per cent of total financing), the social sector (25 per cent), and general administration (17 per cent) where financial and public sector reforms are underway as part of the adjustment programme.

When Guinea began the NaTCAP exercise in 1987, "there was no system for efficiently managing the existing technical assistance programmes", says Chaïkou Diallo, director of aid co-ordination in the Ministry of Planning and International Co-operation. He says that with at least 28 different multilateral and bilateral donors involved in Guinea, "there was a risk of technical assistance becoming divorced from priority needs. Such assistance could also lose focus and become scattered while growing in volume and perpetuating itself." This is why all agreements are now to be co-signed by the planning ministry (which will also vet the qualifications of foreign experts), instead of the previously direct and exclusive relationship between the donor and the recipient agency or ministry.

The NaTCAP has enabled the government to gather quantitative and qualitative information on technical co-operation for the first time. "We found that in 1988 there were 700 experts, at a total cost of $62 mn. This amounted to nearly 22 per cent of foreign aid to Guinea in 1988, and 29 per cent of externally financed public investment," says Mr. Diallo.

He says 25 per cent of this aid was in loans and 75 per cent in grants. This was "still an inadequate proportion in view of the target of having all technical assistance provided in outright grant or quasi-grant form." Although the breakdown of technical co-operation for the 1990-92 period shows the grant portion falling to 66 per cent, this is due to some already negotiated projects, explains a UNDP official.

Guinea is confident about the benefits of NaTCAP. It sees technical co-operation as playing a strategic role in more self-reliant and sustainable economic development. It also describes foreign consultants as "only a transitional resource, destined to be progressively replaced by national expertise" in both the public and private sectors. Hence the emphasis on training, on mobilizing existing local expertise, and on institutional development.

To support external aid co-ordination, UNDP approved a $600,000 project late last year to run for 18 months. It will help improve the policy documents, and enhance Guinea's capacity to manage technical co-operation.

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ning Dr. Kwesi Botchwey who said: "The common experience of recipient countries is that technical assistance is often ad hoc and fragmented, with donors dictating preferences which reflect more their convenience than the real needs of the recipient countries."

NaTCAP is designed to change this order by placing African governments at the centre of decision-making on technical co-operation, gearing it to a domestic agenda of development priorities. This entails drawing up, in consultation with donors, a national policy framework for technical co-operation as well as detailed programmes. These not only evaluate past and existing projects, but also co-ordinate future priority requirements with specific budgetary procedures in a long-term strategy for building national management capacities and institutions.

By helping African governments to determine their own needs, NaTCAP tackles the issue of how to co-ordinate technical co-operation projects and make them more sustainable. However, individual donors and international agencies are also expected to make fewer technical co-operation proposals. Up to now, the lack of co-ordination between donors has often resulted in duplication and sometimes conflicting advice. The numerous donor aid missions and, in some cases, competing technical co-operation projects also increase the administrative burdens of African governments struggling with structural adjustment reforms.

NaTCAP is not a substitute for a serious national policy of human resource mobilization and development.

It is widely acknowledged that African administrations also need internal reforms in order for technical co-operation to be a genuine aid to self-reliant development. NaTCAP is not a substitute for a serious national policy of human resource mobilization and development. Domestic efforts in this direction have been strengthened in recent years by increasingly focused programmes set up by the United Nations and other multilateral institutions. The most recently launched are the African Capacity Building Initiative (involving the World Bank, UNDP, and African Development Bank) which targets economic management and policy formulation, and the International Finance Corporation's AMSCO initiative for the private sector. There is also the Special Action Programme for Administration and Management set up by the General Assembly in 1986 to intensify UN activities (including resource mobilization) in strengthening African governmental capacities. UNDP also started the Management Development Programme in 1989 for the public and parastatal sectors in Africa and other regions.

However, without the needed internal reforms, declares a UNDP official, any management development projects will remain pipe-dreams. As Mr. Damiba points out, there must be an "enabling political environment in which competence is respected." ■

UN REVIEW

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tion have been frustrated by lack of capital and foreign exchange, and much of the region's transport and financial infrastructure is in disarray.

The report also pointed to the shortfall in expected resource flows for UNPAAERD. Calculated in 1985 US dollars, it estimated that the extra annual inflows of official development assistance (ODA) "which could be attributed to the UNPAAERD initiative" have been of the order of only $2.5 bn a year.

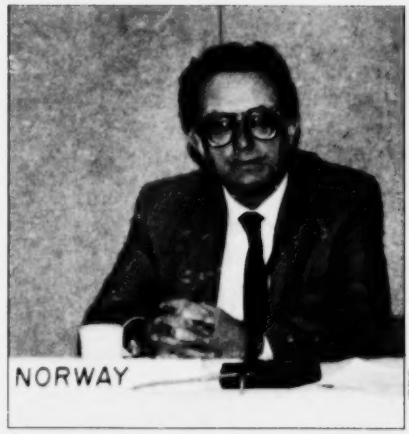
Other figures presented at the IATF meeting tended to support the general thrust of the Norwegian report, particularly recent data from the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). "Net resource flows to Africa, in real terms, declined sharply" during 1986-1989, concluded a paper by the UN Conference on Trade and Development (UNCTAD), which analyzed DAC data. For sub-Saharan Africa, there has been a steady decline in real terms, after an initial surge in 1986. By 1989, net ODA totalled $18 bn (in 1986 dollars), slightly up on 1988, but still well down on the 1986 level of $19.4 bn.

Dependence on official flows

Non-concessional flows into Africa — export credits, private investment, commercial lending — have collapsed during the UNPAAERD period, or become negative. This has placed a heavier reliance on official flows at a time when aid budgets in many donor countries have come under pressure to be reduced, at least in real terms. The World Bank has managed to increase flows to Africa in most years, at least in nominal terms, during UNPAAERD — with positive net transfers in all but one. Gross disbursements by the International Monetary Fund (IMF), however, with the exception of 1989, have been down on pre-1985 levels. With large repayments back to the Fund during this period, net flows have been continuously negative. Between 1985 and 1989 African countries paid back $3.75 bn more than they received. This is despite the presence of special soft-loan facilities since 1986 which are arguably more suited to poorer African countries. "It appears that the higher conditionality linked with access to [these] resources has been a deterrent to a broad and rapid use" of them, UNCTAD says.

UNCTAD said a "substantial increase" in net transfers from multilateral financial institutions was a priority, as well as measures to alleviate the debt-servicing burden and eliminate arrears to the institutions. In a paper to the IATF meeting, the IMF said it has some $1.26 bn in committed funds which could be disbursed to African countries during 1991-92. However, the paper pointed out that this is dependent on countries formulating "appropriate annual structural adjustment programmes."

Summing up the main findings of the IATF meeting, the Executive Secretary of the UN Economic Commission for Africa (ECA), Adebayo Adedeji said that during UNPAAERD "resource flows have fallen substantially below what was expected." Current debt relief measures have also been inadequate in the face of Africa's economic difficulties, Prof. Adedeji said.



Former Norwegian Development Co-operation Minister Tom Vraalsen, presented an assessment of UNPAAERD to the IATF Meeting in Ottawa.

Deeper debt relief

His conclusion on debt relief was echoed at the Ottawa meeting by Canada's External Affairs Minister Joe Clark. Despite initiatives, such as that taken by Western leaders at their Toronto summit in 1988, "not too much progress has been made [on debt] because Africa's problems have also grown," the Minister said. The Toronto terms should be "drastically revised" and measures to cancel the stock of debt of low-income countries "urgently implemented," UNCTAD suggests, a view held by many African countries.

Mr. Clark, who has recently fought hard to maintain aid levels by a recession-hit Canada, conceded that there was the danger of a trade-off between deeper debt relief and reduced aid flows. "The priority of African development needs has to be reasserted" in the policy deliberations of the leading industrial countries, the Minister said. He suggested that any new major proposals could be pushed at the June economic summit of the seven leading industrial powers, scheduled to be held in London, provided that what could be achieved there was determined immediately .

The UNPAAERD review process, as well as assessing past performance, will also point to what still needs to be done. During November's debate on Africa many speakers, while emphasizing the numerous problems, drew attention to some more hopeful signs. Prof. Kamunanwire pointed out some of the significant initiatives taken during the period

Canadian members of parliament, Walter McLean (left) and David MacDonald with Stephen Lewis (right), special advisor on Africa to the UN Secretary General.

covered by UNPAAERD: efforts to strengthen regional economic co-operation, agreement on an African Alternative Framework to Structural Adjustment Programmes, adoption of the Cairo and Kampala Plans of Action on Environment and Sustainable Development, as well as the Charter on the Rights and Welfare of the African Child.

Another initiative given special attention by Prof. Kamunanwire, US Ambassador Jonathan Moore and several other delegates was the African Charter on Popular Participation in Development, launched at a conference organized by the ECA in March 1990. The General Assembly adopted a resolution in December acknowledging the Charter and commending Africa for its commitment to popular participation.

The Ad Hoc Committee will hold an organizational session in April 1991 to work out the procedures through which the delegations, regional and international organizations, UN agencies and others will participate in the final review and present their research and findings on Africa's economic situation. The Secretary-General will also prepare a report reviewing the results of UNPAAERD. The ECA has already sent out detailed questionnaires to all African countries to gather data on economic performance and details of UNPAAERD activities. Multi-agency missions will go out in early 1991 to supplement the questionnaire, the findings of which will feed into the final report by the Secretary-General.

The OAU has slated a ministerial meeting to draw up its own assessment of the five-year period covered by the UN Programme. Some non-governmental organizations have already held meetings, at the national and international levels, to prepare a position paper on the key issues covered under UNPAAERD, which they plan to use in discussions with some donor countries prior to the Programme's final review. ■

Aid flows disappoint, OECD says

Aid flows to Africa rose slightly in real terms in 1989, according to recently released figures, but at a rate which would not help to reverse the persistent fall in per capita income levels. The marginal increase in aid has helped to off-set sharp declines in other financial flows, but has left the overall volume of financing for Africa during the 1980s unchanged, the analysis shows.

For the future, the Organization for Economic Co-operation and Development (OECD), which compiled the figures, is projecting "continuing modest increases in real terms" in official development assistance (ODA). In the present climate of limited aid budgets, this may require Africa to further increase its share of total ODA to secure sufficient resources to raise per capita incomes in the region.

Net disbursements of ODA to Africa from all sources in 1989 stood at $18.1 bn, compared to $17.7 bn in 1988, according to the report by the OECD, published in December, an increase of some 2.3 per cent. When allowance is made for inflation and exchange rate movements, however, the percentage increase is far less.

The pattern is true for sub-Saharan Africa, where the nominal increase in net aid flows was larger than for Africa as a whole. According to the 1990 report of the OECD's Development Assistance Committee (DAC), net aid disbursements to the sub-region totalled $15.2 bn in 1989, compared with $14.8 bn the previous year, an increase of 2.7 per cent. In real terms, however, the increase was slightly less than 2 per cent. In its end-1989 report, *Sub-Saharan Africa: From Crisis To Sustainable Growth*, the World Bank argued that growth in ODA of some 4 per cent will be necessary during the 1990s if a minimal increase in per capita income levels of 1 per cent a year is to be achieved in the region.

Such a rate of growth in aid was not achieved during the 1980s, the DAC report shows. According to the report, net disbursements of aid to Africa (in 1988 dollars) rose from $15.2 bn in 1980 to $18.3 bn in 1989, an annual rate of growth of some 2.3 per cent. For sub-Saharan Africa, net aid flows rose from $11.5 bn to $15.4 bn over this period, an annual rate of growth of 3.8 per cent.

Africa has, however, increased its share of aid flows, according to OECD figures; from 31 per cent in 1980 to 39 per cent at the end of the decade. For the sub-Saharan region the increase was even greater — from 24 per cent in 1980 to 33 per cent in 1989.

The rise in aid flows, however, has only barely compensated for the severe decline in export credits, commercial loans and foreign direct investment into the region during the 1980s. "In Africa official finance has expanded sufficiently to compensate for the decline in private flows, but the total has not expanded," the DAC report concludes. Provisional figures for 1989 put total net resource flows — gross disbursements, minus repayment of principal — to sub-Saharan Africa (no figures are available for Africa as a whole) up $1 bn in real terms — to $22 bn from $21 bn (in 1988 dollars). However, this is down on 1986-87 levels of $24 bn and of $23 bn in 1980. When interest payments on Africa's debt are taken into account, resources into Africa — technically, net financial transfers — fell in nominal terms in 1989, according to estimates by the UN Conference on Trade and Development (UNCTAD) presented to a recent meeting in Ottawa.

Official flows now dominate Africa's external financing needs at a time when only limited growth in them can be expected. According to the DAC report, aid from non-DAC countries fell by $1 bn in 1989. Among the 19 DAC countries, aid as a share of members' gross national product (GNP) has stayed constant during most of the 1980s at around 0.34-0.35 per cent — though it fell to 0.33 per cent in 1989 from the previous year's relatively high level of 0.36 per cent.

Norwegian aid ratio the highest

Norway had the highest ratio of ODA to GNP in 1989 among industrialized nations, according to recently released figures from the OECD. ODA amounting to $917 mn in 1989 was equivalent to 1.04 per cent of Norway's GNP, and is scheduled to go higher according to the government's budget proposals. The UN's target for this ratio is 0.7 per cent, but very few countries outside of the Nordics, the Netherlands, France, Saudi Arabia and Kuwait have managed to meet this goal. Norwegian assistance for Eastern Europe and for global environmental issues is not included in these figures.

In its October review of Norwegian aid, DAC noted with satisfaction that virtually all was in the form of grants and targeted to the least-developed and other low-income countries, with an emphasis on women and on the environment. It noted with interest the use of market-based systems for the allocation of import support to end-users, including private enterprises. DAC also noted with satisfaction the more active participation by Norway in multilateral policy dialogue on structural adjustment programmes and the increased policy emphasis on sectoral programmes.

How to foster diversification, not dependence

By Adrian Hewitt and Hans Singer

Contrary to a widespread impression, the Report by a Group of Experts appointed by the UN Secretary-General does not represent a shift of stance by the UN on the issue of primary commodity production and dependence. Neither the UN nor its African members have formally adopted the Report.

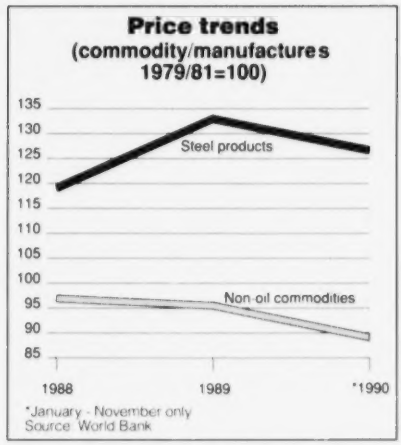
But our greater concern is that the Report's recommendations are not persuasive. For example, at a time when world commodity supplies are already abundant and their prices (excluding oil) are at historic lows, the Report urges African nations to expand production of primary commodities.

In addition, the Report is not research-based, and fails to address its own main terms of reference: to determine "the nature and causes of Africa's commodity problems bearing in mind commodities of export interest to African countries [and] their commodity export dependence..." and to assess "recent trends in prices and earnings from export commodities and their impact on recovery and development."

The Report asserts that "African policy-makers must use commodity production and trade as a motor for expansion." They (and we all) must "change attitudes," while governments must reduce their intervention to a minimum, limiting themselves to adopting overall policies aimed at recapturing market shares of particular commodities and providing an incentive structure for crop, forestry and mining production and investment.

There are six major shortcomings in the Report's argument, apart from the additional set of problems with the composition and presentation of the Report itself.

(1) **Commodity use may be in permanent decline.** Technological change continues to reduce the raw material content of finished products (optical fibre replaces copper and telecommunications replace paper); biotechnology and environmental considerations will further accelerate this trend; and even the expected revival in demand for directly consumed products, such as tropical beverages, has not occurred — *effective* demand from the USSR and East/Central Europe has yet to be realized. Developing countries continue to have every reason to diversify out of commodity exports both to broaden their output and to process more of it.



(2) **Terms of trade are unfavourable.** The latest net barter terms of trade indices from the UN Conference on Trade and

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Hans Singer *is Professor Emeritus at the Institute of Development Studies, Sussex, UK. He has worked with the United Nations from its earliest years, and formulated with Raul Prebisch the Singer-Prebisch Thesis which has guided the policies of many successful newly industrializing countries (NICs) which were once commodity dependent.*

COMMODITIES

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would ensure that each guaranteed price did not fall below that commodity's market price. Africa's main export commodity prices should also be indexed against import prices to facilitate compensation for chronic deterioration of terms of trade.

The OAU also calls for adequate resources to improve the IMF's Contingency and Compensatory Financing Facility (CCFF), and the European Community's STABEX and SYSMIN. Going further, it proposes a new global compensatory financing scheme for developing country exports, with more flexible procedures and less onerous conditionalities than existing facilities.

On the vital question of greater market access, the OAU also wishes to preserve existing special preferences, continued developed country commitment not to increase tariff escalation against African commodities and processed products, and fewer trade barriers. Commodity exports of African least developed countries should face no barriers at all, the OAU argues.

Calling for greater efforts in research and development to increase the end uses of African commodities, the OAU adds that the transfer and adaptation of technology was "very critical" in diversification. The OAU urges developed countries to provide scholarships and training opportunities to enhance African capabilities in raw materials development and utilization.

Greater South-South and intra-African co-operation is also needed for commodity diversification, particularly in the areas of human resources, and research and development. Such constraints as market size and the magnitude of financing point to the need for multinational diversification projects.

Commodity processing in Africa, says the OAU, resulted in only 5 per cent value added, and African countries shipped only 2 per cent of their total exports. The Common Position therefore argues for joint ventures with developed countries to transfer processing activities and technology, and for increased shares to African entities in the transporting, distributing and marketing of their commodities to help African countries maximize their earnings. Other recommendations include intra-African shipping lines, and investment in storage, transport and communication facilities.

The OAU urges developed countries to help African countries set up marketing and distribution networks in major cities of importing countries. It says developed countries should also reform their commodity exchanges to create market transparency and eliminate the speculative and manipulative practices that are detrimental to commodity exporters' interests. Acknowledging the need for intensive exploration of new commodity export markets, the OAU says the UNCTAD/GATT International Trade Centre (ITC) should help African countries exploit the new opportunities emerging in Eastern Europe by, among other things, preparing or revising market studies.

Development (UNCTAD) shows that developing countries exporting primary commodities, excluding petroleum, have done worse than other groupings over a 20-year period, and African countries worst of all. The latest World Bank commodity indices reinforce this trend for recent months (see graph on page 36).

The 1990s outlook for primary commodities, excluding mineral oil, of interest to Africa is at best for a 3 per cent increase in demand, against a much greater projected supply. Combined with the fact that substantial stocks exist in a number of commodities — most notably for cocoa — the price outlook is bleak.

A clear acknowledgement of the established tendency of non-oil commodity prices to decline (which the Report only mentions in passing on p.29) should have made it difficult for the Report to assert that commodities can be the engine of economic growth. In effect, the Report says Africa should fuel the decline in commodity prices by investing in additional surplus supply.

(3) African countries are already too dependent on commodity exports. This dependence is more pronounced than in other developing countries. This the Report admits, although the figures it gives for dependence levels are self-contradictory, and seem to include petroleum and uranium, despite the assertion (p.15) that fuels "have been excluded from this study." In any event, the poor demand prospects and declining terms of trade, along with the manifest inability of any African state to influence world prices, argue strongly for efforts to reduce dependence on raw materials production and export. Diversification, not the recapturing of world market share, is the sensible policy to adopt.

(4) **Retrenchment first to promote exports makes no sense to the destitute.** Africa would have great difficulty in accepting the Report's prescription to retrench further now and forgo domestic investment and consumption (both now required for economic recovery), in favour of investing in expanded commodity production and the costly infrastructure needed to increase commodity exports to world markets. Adjustment programmes — which the Report assumes to be growth-oriented and believes to be working well — have been heavily biased in favour of foreign exchange earnings. At such an early and delicate stage of economic recovery, it would be unacceptable to place undue reliance on an area of such proven fragility as commodity exports. Even the World Bank's latest review of adjustment lending, *Adjustment Lending Policies for Sustainable Growth*, concedes that investment has suffered in the rush to restore external balances and keep up debt service (see page 17).

Chocolate manufacture continues to be dominated by industrial countries. Diversification into processed products is the key thrust of African proposals on commodity reform. Nigeria in 1990 announced a ban on raw cocoa exports to further this processing goal. Subsequent modification of this ruling underlines the many challenges facing African countries in trying to end their dependence on raw material exports.

(5) **Africa is not a single unit.** The Report lobs in prescriptions — already so familiar to African governments from dealings with a succession of major international agencies — without addressing complex questions of sovereignty and other political realities in African nations. For example, the Report suggests an Africa-wide registration of road-haulage vehicles (p.75) as if "Africa" were one political unit, without any thought of the revenues and controls which African states would forfeit (to what body and for what benefit?) in such a process. From here it is but a short step to talk of "improved governance". It is going to be a long haul to an African Common Market, even if the present leadership of the Organization of African Unity (OAU) has it commendably high on the agenda.

(6) **A solution to Africa's commodity problems need not be found within the commodity sector itself.** The crucial failing of the Report's analysis is to assume the opposite, and therefore argue that Africa must strive to regain its share of the world market of "its" commodities. Yet, particularly in conditions of depressed demand, when the absolute size and value of commodity markets may be increasing less rapidly than others, the achievement of greater market share can by definition only be at the expense of somebody else's market share — perhaps another African country, perhaps another developing country in the case of tropical commodities. Attempts to lower production costs in order to increase market share would provoke similar action by rival producers, often with stronger technical and financial backing, leading to further impoverishment of African producers and nations. To a great extent, and to the benefit of consumers and manufacturers, this phenomenon has occurred throughout the 1980s for a wide range of commodities, as debtor-nations have been persuaded to keep up commodity-based foreign exchange revenues. One of the few exceptions has been tropical timber (because environmental considerations place a higher premium on scarcity). Oil prices (which collapsed in 1986, and are now swinging in the Gulf war) are no exception to this rule *in the 1980s*.

Dilemmas facing Africa

With or without action on the lines of the Experts Group Report, Africa's commodity problems (including market access) will continue. Among the wider issues, the choice between resource mobilization for debt service or for economic recovery is perhaps not only the most pressing but also the most enduring dilemma.

Such dilemmas continue to affect Africa's leading non-oil export commodities, cocoa and coffee, and one particularly commodity-dependent country, Ghana, which is often cited as a model pupil of economic reform. The figures could hardly be more eloquent. The world price of robusta coffee (the variety of main interest to Africa) has fallen from an index of 100 in 1980 to 64.6 in 1988, and 36.1 at the end of

OAU critique of the Experts Group report

The Experts Group Report dealt inadequately or altogether neglected a number of issues of importance to Africa, declared the Organization of African Unity (OAU) in its recent Common Position. The Group had also failed to meet its terms of reference in its assessment of such issues as the nature and causes of Africa's commodity problems, the impact of recent trends in prices and revenue on recovery and development, and links between export revenue, debt and resource flows.

The OAU said in its critique that the Report was "too accommodating" of structural adjustment programmes, reinforcing conditionality in several instances, and displaying insensitivity to international, UN and African criticisms of and alternatives to these programmes, such as the African Alternative Framework to Structural Adjustment Programmes.

The Experts Group's apparent advocacy of increased production and export of traditional commodities was at the expense of a strong diversification package, and this could lead to over-dependence, a supply glut, and further price depression.

The Report, said the OAU, had failed to assess the long-term impact of substitutes and technological developments on African commodity export prospects. It had also proposed national commodity strategies without clear analysis of their impact on future supply-demand balances. Here, the OAU quoted the reservation expressed by Norwegian Ambassador to the UN Martin Huslid, a member of the Experts Group, who said that "unco-ordinated national strategies, including struggles to regain or enlarge market shares, might lead to losses rather than gains".

The Report had also overlooked the functioning of commodity exchanges and their negative impact on prices. The absence of any recommendation on the First Window of the Common Fund for Commodities was, therefore, a serious omission and a "surrender to market forces".

Similarly, the Report had underplayed the "overriding need for governmental involvement in strategic economic activities in Africa." The OAU paper stressed that in the absence of a strong private sector, African governments had to create an enabling environment that stimulated private initiative.

It also argued that the Experts' Group Report had failed to make any concrete recommendation on commodity price stabilization. The result was that the strategy it proposed for diversification would only increase African debt at a time when a major international preoccupation was reducing that debt burden.

1989 — barely a third of its level of a decade before. Similarly, cocoa beans fell to 61.1 in 1988 and to 39.2 by the end of 1989.

The results can be seen graphically in the terms of trade of Ghana which has been trying (as part of its adjustment effort) to regain world market share in cocoa, on which it depends for 57 per cent of export earnings. According to the 1989 UNCTAD *Handbook of International Trade and Development Statistics*, Ghana benefitted from the commodity boom of 1977-78, but nevertheless saw its overall terms of trade fall at the end of the 1970s. And by 1988 the overall index had fallen to 65 per cent of its 1980 level (and well under half its 1977-79 boom level). In fact, there was worse in store in 1989-90.

Towards more helpful solutions

It should be clear by now that real diversification of the production and export base should be the key prescription for commodity-dependent African countries. This actually contributes to better long-term resource allocation, and takes us well beyond the restricted domain of commodity production. One need look no further than paragraph 81 of the Final Act of UNCTAD VII — agreed as a consensus by all members in 1987 — to find direct echoes both of the primacy given to horizontal and vertical diversification and, in the longer term, of the importance of processing, marketing and distribution to enhance and retain value-added at more points along the extended production-final consumption chain.

Diversification obviously should not neglect industrialization and services. Some states deemed hopelessly commodity-dependent have, during the 1980s (Mauritius) and imminently for the 1990s (Madagascar) adopted both such approaches to economic diversification.

stimulating and diffusing commodity market and product research. In many commodities of interest to Africa, the predominant smallholder nature of production, which is less easy to organize, *militates against binding agreements* to stabilize prices at high levels — the opportunity-cost of tending and picking the crop with "unpaid" family labour somewhere in

It should be clear by now that real diversification of the production and export base should be the key prescription for commodity-dependent African countries. This actually contributes to better long-term resource allocation, and takes us well beyond the restricted domain of commodity production.

In the short term, international money devoted to compensatory finance against unforeseeable fluctuations in export earnings **will be money well spent.** A global system that ought to command international support would be less commodity-tied than the European Community's Stabex system in the Lomé Convention, but also free of the conditionality attached to the International Monetary Fund's Contingency and Compensatory Financing Facility (CCFF). Already the CCFF has been modified for a batch of oil-importing countries "most seriously affected" by the Gulf crisis. But why should those suffering *export* instability in commodities other than oil have been left with so little support for so long?

The main role for the UN's Common Fund for Commodities may, after all, be in

the world will always be rather low. Nevertheless, one should not rule out stronger, joint consumer-producer action to stabilize commodities: the change in US and UK attitudes to an eventual revision of the international coffee agreement ever since losses on coffee were linked to gains on cocaine traffic in some countries has been wondrous to behold — and only marginally the result of markets working.

Supportive of such a strategy would be action by developed countries to end agricultural subsidies and open up their markets for competing agricultural commodities and for manufactures of interest to Africa — textiles having pride of place here at the moment. The speed with which one leaves commodity arguments and gets embroiled in issues relating to the final

agreements of the Uruguay Round of trade talks shows how the African commodity "problem" has to be treated holistically (see page 12).

Lastly, it is almost a commonplace now to state that Africa's economic difficulties need to be addressed by international action to reduce the debt burden; this is in the hands of governments now that so much of Africa's debt, and even more of its debt service, is owed to governments and the multilateral institutions which governments control.

Let us reflect, for a moment, on one of the great taboos of commodity politics which currently dominates the news. We referred earlier to the Report's disclaimer about petroleum — it was excluded from the study because "the influences on supply and demand are complex" (as if the influences on the supply and demand for, say , sugar are *not* complex) and even though a fifth of African countries earn more than 10 per cent of their export earnings from petroleum and four of them are OPEC members. Yet it would be hard pressed not to notice that the biggest shifts in terms of trade occurred in 1973-74 and 1979-80, when oil prices rose by cartel action, and in 1985-86 when they suffered a particularly abrupt fall. *These shifts occurred in terms of trade as a whole, not just for oil exporters.* So dependent commodity producers make, as well as take, world market disruptions, rather more severely than the maturer economies.

Now, to a certain extent the "Third World debt crisis", in that as it involves primarily Latin American countries to which financial surpluses were recycled as loans and credits, was the product of this first (oil) commodity boom. The rise in interest rates which unleashed the recognition of debtor insolvency was the product of the second oil price rise.

Should not, then, the governments and market-makers who determine the future course of raw commodities be prepared to make the necessary connection between debt and commodity policy? The difference in attitudes between, say, Iraq, a substantial debtor in need of short-term foreign exchange inflows, and, on the other hand, Kuwait and Saudi Arabia, not merely net creditors but global investors, provides a direct link between commodity and foreign policies of the starkest kind.

This is the sort of *political* link which the Experts Group Report regrettably fails to recognize in adopting the robust but simplistic view that Africa should just stick to producing more basic commodities. ■

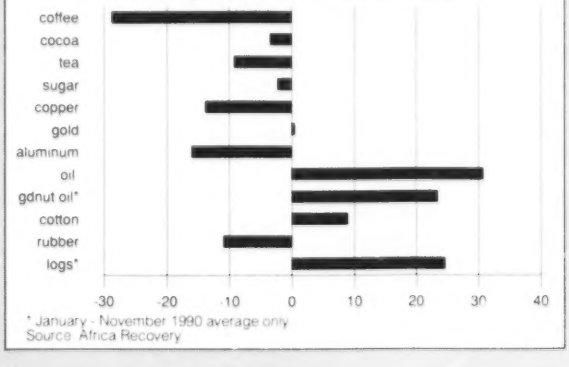
Commodity prices down again

Prices for the majority of African commodity exports fell again in 1990. Of the 12 commodities monitored by Africa Recovery only four showed an upturn last year; and one of those — oil — meant higher bills for the majority of African countries. For one other, gold, prices were little changed; and for the remaining seven, many of crucial importance to a large number of countries, average prices fell (see chart).

A slowdown in industrial country growth explains much of the downturn in metal prices, after two relatively good years. Copper's fall of over 10 per cent was compounded for African exporters — Zaire and Zambia — by continuing production difficulties, which further hit earnings. The rubber market also felt the effect of the downturn in the automobile and other relevant industries. With recession now underway in a number of industrial countries, prices are expected to stay flat for at least the first half of 1991, with many metal prices down further in January.

Rising production explains much of the continued weakness in the prices for soft commodities. African tea production rose sharply in 1990, but prices fell as a consequence. Cocoa and coffee prices remain at historic lows, in real terms, as supply continues to outrun demand. Higher quality coffee producers face some prospect of improved prices in 1991, but with a renewal of the international agreement unlikely in the short-run, robusta producers — the majority of African output — face a further period of depressed prospects. Cocoa is in its seventh year of surplus, but the possibility of a modest upturn has been strengthened by tentative predictions of a small deficit for the 1992-93 season.

Africa's commodity prices
(% change, 1990 over 1989 average)



* January - November 1990 average only
Source: Africa Recovery

A surprise shift from predictions of a deficit to a surplus for the current season sharply reversed sugar's price rise in first-half 1990. Market reaction was sufficiently severe, to send prices to their lowest level in nearly three years by end-1990 and prospects of a significant upturn in the first part of 1991 remain slim.

Africa's other major soft commodities — cotton, groundnuts and timber — had a better time in 1990. Cotton is enjoying a boom in demand, but analysts warn that prices are close to their maximum without provoking a significant shift back into synthetic substitutes. While prices are expected to remain strong in the first half of 1991, prospects of a record world crop for 1991-92 should mean prices fall back in the second half of the year.

Prices for logs and sawn wood also improved in 1990, though for more processed forms — such as plywood — the upturn was much weaker. Mixed fortunes were also experienced by Africa's producers of oils. Groundnut oil showed a sharp upturn in 1990, but palm oil prices went sharply the other way, while producers of groundnut meal found a weak market in 1990.

The most spectacular price shifts occurred in oil, where Nigeria's Bonny light enjoyed a gain of some 30 per cent over 1989 levels. The upturn was a mixed blessing for Africa and prospects for 1991 remain highly clouded, with acute volatility the only surety in a situation where the Gulf war places a huge unknown on an otherwise plentiful supply picture. ■

ECA

from page 1

Egypt, no special measures have been taken by the US government or the member countries of the European Community to help offset losses incurred by Africa as a result of the Gulf situation. He appealed to the international community for "special and immediate measures to alleviate the impact of the Gulf crisis on the African countries."

On top of these difficulties, the continent's debt burden has also continued to mount. The ECA calculates that Africa's stock of debt may have grown over the year to $271.9 bn, or 4.7 per cent higher than in 1989 (see also page 42). Africa's debt servicing obligations in 1990 were equivalent to 34 per cent of the value of its exports.

Describing the debt relief initiatives that have been advanced so far as "mere palliatives," Mr. Adedeji called for "a more radical approach" to solving Africa's debt crisis, one that will significantly reduce both the stock of debt and annual debt servicing. He suggested an easing of the eligibility rules for debt relief, which are now conditional on implementing structural adjustment programmes approved by the International Monetary Fund and World Bank.

Economic and political reforms

Despite numerous negative developments within Africa and in its external economic environment, Mr. Adedeji also cited further positive signs that may point toward improvements in the future.

Many African countries are continuing to persevere with difficult economic policy reforms. These can be made more effective, he suggested, by progress in substituting the African Alternative Framework to Structural Adjustment Programmes (AAF-SAP), approved by African governments in 1989, for "orthodox" adjustment programmes. Orthodox adjustment programmes, said Mr. Adedeji, inhibit fundamental economic transformation. Their focus is on immediate crisis management and, in particular, achieving external and fiscal balances. This has been at the expense of a vigorous pursuit of long-term, human-centred development aims.

Additionally, Mr. Adedeji stressed, the adoption by African heads of state and government in July 1990 of the African Charter for Popular Participation in Development was a "land-mark" in Africa's democratization process.

Thanks to generally favourable weather conditions, food and agricultural output in Africa grew 3.4 per cent in 1990, up from the year before and, for the third time in the past two decades, above the population growth rate. Nevertheless, wars and civil strife contributed to severe food deficits in some countries, in particular Sudan, Ethiopia, Mozambique, Angola and Liberia (see pages 4-5).

Africa: Major economic indicators
1989-1991 (percentage change)

Indicators in real terms	1989 (actual)	1990 (estimates)	1991 (projected)
Overall GDP	**2.9**	**3.0**	**3.0/3.5**
GDP per capita	-0.3	-0.2	-0.2/+0.3
Food and agriculture	**3.3**	**3.4**	**3.5/4.0**
Mining	2.4	2.2	2.0/2.5
Manufacturing	**4.9**	**5.0**	**5.1/6.0**
Indicators in nominal terms			
Export values	**11.0**	**14.7**	**10.5**
Import values	10.0	9.5	8.0

Source: Economic Commission for Africa

Performance of sectors mixed

The trends for Africa's commercial crops were mixed. While coffee and cocoa prices remained depressed on the world market — seriously constraining export earnings for a number of African countries — tea production increased rapidly and cotton prices rose in 1990.

Manufacturing registered an estimated growth rate of about 5 per cent, about the same as in 1989 and higher than the 4.3 per cent rate of 1988. Because of African manufacturing's close links with food and agriculture, this growth was closely associated with the increased output in that sector. But it also reflected a greater availability of imported materials and improved capacity utilization. Nevertheless, said, Mr. Adedeji, "the process of de-industrialization, plant closures and capacity underutilization still remains very much in evidence."

Except for oil, the mining sector generally performed poorly, with total output growing only 2.2 per cent in 1990, less than the previous year's 2.4 per cent. The prices of almost all major non-fuel mineral products notably declined in 1990, marking an end to the metals boom of 1987-89. In some countries the higher cost of oil imports inhibited mining output. This was the case, for example, with Zambian copper production.

Overall, African export earnings rose, in nominal terms, to $71.9 bn in 1990 from $62.7 bn in 1989. The value of imports also increased, to $79.9 bn from $73 bn.

The ECA's forecasts for 1991 project an overall growth rate in the 3 - 3.5 per cent range. Many factors, however, will determine whether 1991 will be another year of falling per capita incomes (the lower estimate) or one which produces the first modest upturn in per capita growth for many years.

Events in the Gulf will have a direct impact on the world oil market, observed Mr. Adedeji, which in turn will have significant repercussions in Africa — the African oil-exporting countries account for 45 per cent of the continent's GDP.

If the weather remains favourable, agricultural output will surpass the steady progress of the past three years, with positive implications for manufacturing production as well. However, even without the impact of the Gulf crisis on the world economy, a difficult external environment points to "a dim prospect for African socio-economic progress in 1991," Mr. Adedeji said.

The ECA Executive Secretary appealed to the international community to undertake "vigorous policies and decisive actions" in favour of Africa, especially in the areas of debt, commodities and resource flows. Otherwise, the incipient recovery process engendered in the past three years may be halted or reversed.

Mr. Adedeji also urged African countries themselves to make greater efforts and to return to the human-centred objectives and priorities for economic transformation of the Lagos Plan of Action, adopted by the Organization of African Unity in 1980. He noted some progress toward the goal of strengthening African regional economic co-operation, a key plank of the Lagos Plan, with the scheduled signing in June 1991 of a treaty establishing an African Economic Community. "But," he added, "much more needs to be done to advance the process of full economic integration on the continent." ■

DONORS

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Fund has the discretion to make increased use of its powers of waiver, though they also insist that the basic thrust of conditionality is not expected to change.

Officials say, however, that relatively few African countries are expected to benefit from the Fund's modification of its compensatory and contingency financing facility (CCFF), which permits it to cover the "excess" costs of imports of crude oil, petroleum products and natural gas. They point out that lending from the CCFF is on standard IMF terms and, with the interest rate around 9 per cent, the cost of borrowing from the facility is considered to be too high for the majority of African countries.

The last point highlights a widespread fear among African officials that even the limited moves now being made to get extra funding into the region will be reduced by problems over conditionality and eligibility. The IMF has said that to be eligible, countries "will be required to undertake satisfactory energy policy actions." This essentially means passing on the cost of higher oil prices, either to the consumer, or by lowering the share of taxes on oil products. In theory, six African countries could take advantage this year of the IMF's November decision to add a fourth year to the ESAF, previously limited to three. However, there have been delays over approval of the third year programme, for Niger and Senegal, with the countries struggling to meet policy requirements in the face of a deteriorating fiscal situation. Already, any decision on a fourth year has been pushed into 1992.

Appropriate policies

Niger's eligibility for financing under the World Bank's SPA scheme could also be under threat. Already Zaire and Somalia had been suspended from the SPA scheme. Bank officials stress that appropriate policies must be in place if countries are to benefit from additional resources.

While continuing conditionality could limit the range of countries securing extra funding, the sharply changed external environment could add others to the list of those seeking highly concessional financing, such as that offered by IDA. Egypt's use of IDA has already been discussed and other countries such as Côte d'Ivoire and Morocco could become candidates.

Some extra resources could be found for the crisis-affected countries by diverting funds from other potential borrowers, though most African oil-exporters are not IDA countries. A loan of $500 mn earmarked for Nigeria is presently on hold and could be re-phased depending on that country's balance of payments needs in the light of higher oil prices (see page 47). But the possibility of additional funding for IDA — or a parallel facility — has been considered since the earliest days of the crisis.

The major thrust of Bank efforts will be accelerating disbursements from its own resources and from bilateral donors. This risks reducing the aid pie in the future, unless donors can be persuaded to make up for the heavier than expected outlays now.

Finding new funds for Africa could prove a tough proposition. "We're all hitting the same donors," comments one aid official. The replenishments for IDA and the SPA and the European Community's Lomé Convention, while considered relatively successful by funding officials, have barely maintained resources in real terms. But, given the new realities dictated by the war in the Gulf, the well for new additional funding for Africa may prove dry. ■

Mounting costs of Gulf war

Oil prices are fluctuating wildly in the aftermath of the outbreak of war in the Gulf, but the economic consequences of the crisis on Africa have already profoundly affected the region. Oil exporters have felt immediate benefits, but a $10 fall in the price of a barrel of oil in a single day (as happened on 17 January) has underlined how temporary recent gains could be. The World Bank says that all seven African oil exporters continue to need strong adjustment measures, despite their "substantial" financial gains. The majority of countries who are oil importers are feeling sharply the impact of rising oil bills, lost remittance earnings and slackening demand for their commodities.

While details may vary, the general picture of the present impact is clear. The ECA, in its recent assessment of 1990, says African oil exporters gained $10.5 bn from increased prices alone, but puts the additional cost of oil imports into Africa at close to $2.7 bn. As a consequence, while oil-exporting economies grew by an average 3.5 per cent, oil importers were up by only 2.5 per cent. Both the IMF and the World Bank put additional 1990 costs at some $600 mn for sub-Saharan oil importers. These costs could rise to $1 bn in 1991 if oil prices stay high, they say.

Costs are not limited to oil bills. Egypt, which is a net oil exporter, has been hardest hit by the Gulf crisis in 1990, as a result of lost remittance earnings from workers in the region, lower revenues from the Suez Canal and falling tourist receipts. The government puts total foreign exchange losses at between $9-12 bn. Against gains of $1.5 bn from higher oil prices, the ECA puts losses at some $3.6 bn in 1990. On top of this, is the estimated $4.7 bn cost of resettling some 600,000 migrant workers returning from Iraq and Kuwait.

Sudan has also suffered from lost remittance earnings, as well as higher oil bills. Government officials are quoted as saying that Sudan has lost some $1.4 bn as a result of the crisis in the Gulf, with the annual oil bill, alone, rising from $300 mn to $520 mn.

Most oil importers have raised prices substantially — Ghana and Mozambique by 200 per cent, Uganda and Gambia by 100 per cent or more and Rwanda by 80 per cent. Tanzania's President Ali Hassan Mwinyi said in his end of year message to the nation that oil now consumed 80 per cent of the country's foreign exchange earnings. Senegalese officials have been quoted as saying that every $1 increase in the price of oil costs the country an extra CFA 1.4 bn ($ 5.5 mn).

Mozambique's Finance Minister, Abdul Magid Osman warned in October of the need for "further emergency measures," and no growth in public expenditure in 1991, in real terms, in a country where already two-thirds of the population are living in absolute poverty. In November, Kenya announced sweeping public spending cuts and a freeze in recruitment in response to escalating oil bills. The Gulf crisis could lower the country's growth rate by between 0.5 and 1 per cent, according to Vice-President George Saitoti, who also holds the finance portfolio. Similar measures have had to be taken by Zambia, where output fell by 2 per cent in 1990 against a planned growth of 4 per cent and by Uganda, which in January announced a 30 per cent cut in government spending for 1991.

Limited progress on African debt

By Ernest Harsch

Despite a range of debt initiatives over the past few years, the total stock of Africa's debt has continued to rise and annual debt servicing costs have eased only marginally, according to recent World Bank and Economic Commission for Africa (ECA) figures.

The Bank's *World Debt Tables 1990-91*, released in December, projected sub-Saharan Africa's debt at $161 bn in 1990, an increase of more than 9 per cent over the $147 bn of the previous year. The ECA, totalling the debt for all of Africa, estimated that it had risen to $271.9 bn in 1990, or 4.7 per cent higher than the year before.

According to the World Bank, much of the increase resulted from shifts in exchange rates against the US dollar, in which international debt figures are enumerated. But the trend also highlights the limited impact that current debt relief strategies have had.

The seriousness of Africa's predicament — and the urgency of taking more effective action to overcome it — was stressed by Bettino Craxi, the UN Secretary-General's Special Advisor on the debt crisis. "At this point," he told the UN General Assembly in October, introducing his report on debt, "the problem of the economy of the sub-Saharan countries seems insoluble without drastically reducing their debt and the introduction of exceptional concessional measures by the IMF [International Monetary Fund] and the World Bank."

Donor initiatives on African debt have brought some relief. Nine member states of the Organization for Economic Co-operation and Development have so far announced plans to cancel bilateral loans owed by some low-income African countries. Up to the end of 1989, a total of $6 bn in debt, much of it related to official development assistance, had been written off in this fashion. However, reflecting the highly concessional nature of this debt, scheduled debt servicing payments in 1990 were only lowered by an estimated $100 mn.

The European Community's development commissioner, Manuel Marín, announced late last year that some $4 bn of debt owed to the EC by the 69 African, Caribbean and Pacific (ACP) states (45 of which are African) would be cancelled in 1991.

Seventeen low-income African countries thus far have obtained reschedulings from the Paris Club of official creditors under the more favourable terms agreed at the 1988 Toronto summit. The *World Debt Tables* estimated that more than $5 bn has been consolidated under the Toronto terms since October 1988, resulting in cash flow savings of some $100 mn a year.

Such reschedulings, while of benefit in easing debt-distressed countries' immediate cash flow position, nevertheless adds to the build-up of the total stock of debt. About 40 per cent of the long-term non-concessional debt these countries owed to the Paris Club at the end of 1988 represented interest capitalized by Club reschedulings.

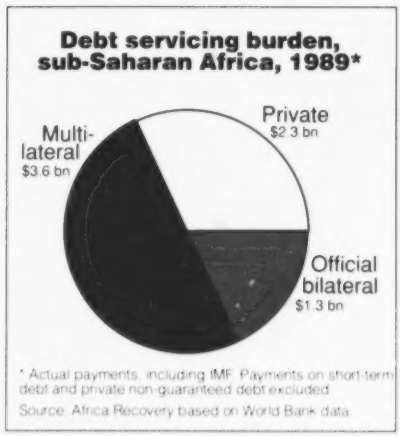
The World Bank report urged Paris Club creditors to consider extending Toronto or similar options to the highly-indebted middle-income countries of Africa.

Mr. Craxi proposed more dramatic action by the official creditors, including a cancellation of 90 per cent of the bilateral debt servicing of poor countries and the conversion of the remainder to highly concessional long-term loans. This echoed an earlier proposal by Dutch Development Co-operation Minister Jan Pronk, who suggested the cancellation of all development debt for the least developed countries.

The Paris Club is still considering the Pronk proposal, as well as one by UK Prime Minister John Major, who recommended that the three Toronto options be replaced by a single, more extensive mix of relief on official bilateral credits.

Mr. Craxi has also proposed that the middle-income countries of Mediterranean Africa (Algeria, Egypt, Morocco and Tunisia), which had a combined debt of more than $100 bn in 1989, be recognized as a category distinct from other middle-income countries. On this basis, he suggested, Toronto-type debt relief should be extended to them, as well as more concessional development financing.

The rise in write-offs and reschedulings of official bilateral debt, combined with a virtual suspension of payments to private creditors by most African countries, has drawn greater attention to the relative burden of debt servicing to the multilateral financial institutions, most prominently the World Bank and the IMF. In 1989, according to Bank figures, sub-Saharan Africa's actual payments to the multilateral agencies accounted for 50.2 per cent of its debt service payments, compared to 17.6 per cent for payments on official bilateral credits and 32.1 per cent on private credits (see graph). Overall, sub-Saharan Africa's actual servicing of long-term and IMF debt amounted to $7.2 bn, or 39 per cent of debt servicing due. Actual payments on multilateral debt were 86 per cent of multilateral obligations.


Debt servicing burden, sub-Saharan Africa, 1989*
Multi-lateral
$3.6 bn
Private
$2.3 bn
Official bilateral
$1.3 bn
* Actual payments, including IMF. Payments on short-term debt and private non-guaranteed debt excluded.
Source: Africa Recovery based on World Bank data.

Payments to the multilateral institutions accounted for more than half of sub-Saharan Africa's 1989 debt servicing burden.

The rules of the international financial institutions currently bar rescheduling. With this problem in mind, Mr. Craxi has suggested the establishment of new international liquidity facilities with the aim of granting moratoria and initiating special rescheduling procedures for multilateral debt.

Most African countries owe relatively minor portions of their debt to private creditors, some $20.4 bn of total long-term debt, excluding Nigeria. Of this amount, about $14.1 bn is to private commercial banks. Much of this, states the World Bank, could be bought or converted at a discount on the secondary market.

Mr. Craxi's report stressed the importance of debt conversions and buy-backs, but also noted that poor debtor countries will need help in implementing them. He proposed the establishment of an official co-ordinating committee or agency within the multilateral institutions with the means to finance or co-finance buy-backs.

An International Development Association (IDA) debt reduction facility was set up in 1989, with the aim of providing grants up to $10 mn per country to countries with adjustment programmes, for purposes of buying back commercial bank debts. Thus far, 14 African countries with commercial bank debt of $1.6 bn have requested use of the facility, with Niger's request the first to be approved. Use of the facility has been delayed, the World Bank says, by the commercial banks' reluctance to take part. ■

AFRICA'S DEBT PROFILE: 1989

Country	Total Debt 1989 ($mn)	Debt Structure (%) Official Bi-lateral	Official Multi-lateral	† Private	Debt Service 1989 (actual*) $mn	Debt Service 1989 (actual*) as % of exports	Debt Service 1990 (obligation*) $mn	Debt Service 1990 (obligation*) as % of exports	Debt/ GNP ratio (%)	Debt per capita ($)	GNP per capita ($)
Algeria	**26,067**	**20**	**8**	**72**	**7,220**	**68.9**	**6,424**	**61.3**	**57.6**	**1,066**	**2,170**
Angola	[a]6,950	n.a.	1	n.a.	[a]1,322	42.0	n.a.	n.a.	[a]115.6	[a]716	620
•Benin	**1,177**	**28**	**37**	**35**	**26**	**6.7**	**77**	**20.0**	**71.9**	**256**	**356**
Botswana	513	24	68	8	69	3.6	82	4.0	36.5	422	1,172
Burkina Faso	**756**	**16**	**70**	**14**	**39**	**9.4**	**47**	**11.3**	**29.6**	**86**	**291**
Burundi	867	22	70	8	38	33	49	42.6	81.9	164	200
Cameroon	**4,743**	**39**	**26**	**35**	**365**	**19.4**	**691**	**36.7**	**42.2**	**412**	**972**
Cape Verde	130	89	6	5	5	n.a.	11	n.a.	45.9	352	764
•Central Afri. Rep.	**716**	**40**	**52**	**8**	**30**	**14.1**	**36**	**16.9**	**65.8**	**240**	**369**
•Chad	368	21	69	10	12	5.3	10	4.4	36.7	67	190
Comoros	**176**	**31**	**61**	**8**	**4**	**9.1**	**9**	**23.2**	**88.2**	**383**	**434**
Congo	4,316	35	13	52	320	27.0	914	77.1	214.9	1,962	930
Côte d'Ivoire	**15,412**	**19**	**16**	**65**	**1,358**	**40.9**	**1,912**	**57.6**	**182.2**	**1,316**	**722**
Djibouti	180	29	44	27	15	n.a.	13	n.a.	n.a.	439	[b]949
Egypt	**48,799**	**58**	**11**	**31**	**2,992**	**21.8**	**7,903**	**57.5**	**159.0**	**949**	**630**
•Equatorial Guinea	228	61	30	9	6	18.7	14	43.2	182.7	663	407
Ethiopia	**3,013**	**48**	**36**	**16**	**280**	**38.7**	**322**	**44.5**	**50.6**	**62**	**121**
Gabon	3,176	48	11	41	223	11.9	199	10.6	108.9	2,887	2,770
Gambia	**342**	**25**	**64**	**11**	**18**	**10.9**	**20**	**11.8**	**172.9**	**403**	**223**
Ghana	3,078	20	73	7	438	49.3	204	22.9	59.9	213	345
•Guinea	**2,176**	**60**	**29**	**11**	**113**	**15.2**	**262**	**35.3**	**85.3**	**392**	**460**
•Guinea-Bissau	458	43	46	11	12	43	20	74.1	276.3	477	174
Kenya	**5,690**	**21**	**45**	**34**	**645**	**33.3**	**664**	**34.3**	**71.7**	**244**	**353**
Lesotho	324	9	80	11	22	2.8	32	4.0	39.0	188	483
Liberia	**1,761**	**27**	**41**	**32**	**5**	**n.a.**	**137**	**n.a.**	**176.3**	**712**	**404**
Libya	*5,381*	*64*	*1*	35	n.a.	n.a.	*380*	n.a.	n.a.	*1,223*	[c]*5,410*
•Madagascar	**3,607**	**56**	**33**	**1**	**240**	**52.4**	**541**	**117.9**	**154.1**	**323**	**209**
Malawi	1,394	19	73	8	95	28.0	76	22.4	89.4	169	189
•Mali	**2,157**	**59**	**38**	**3**	**66**	**18.6**	**124**	**34.8**	**105.3**	**263**	**241**
•Mauritania	2,010	60	30	10	102	20.1	170	33.4	213.2	1,029	474
Mauritius	**832**	**29**	**42**	**29**	**143**	**9.8**	**106**	**7.3**	**41.0**	**783**	**1,911**
Morocco	20,851	54	23	23	2,046	32.2	3,343	52.6	95.9	848	900
•Mozambique	**4,737**	**60**	**9**	**31**	**63**	**24.4**	**613**	**238.5**	**474.2**	**310**	**65**
•Niger	1,578	27	43	30	122	33.0	155	42.0	79.4	211	266
Nigeria	**32,832**	**37**	**10**	**53**	**1,796**	**21.3**	**4,802**	**57.0**	**119.3**	**289**	**242**
Rwanda	652	18	74	8	29	18.5	25	15.7	30.2	95	312
Sao Tome & Principe	**131**	**40**	**44**	**16**	**5**	**44.7**	**10.6**	**97.2**	**329.7**	**1,083**	**331**
•Senegal	4,139	51	37	12	379	29.4	534	41.4	93.2	574	616
Seychelles	**168**	**36**	**25**	**39**	**24**	**11.9**	**21**	**10.1**	**60.4**	**2,485**	**4,103**
Sierra Leone	1,057	24	26	50	4	n.a.	33	n.a.	118.9	261	220
Somalia	**2,137**	**52**	**39**	**9**	**32**	**34.0**	**118**	**124.2**	**202.8**	**351**	**173**
Sudan	12,965	42	18	40	97	7.9	1,202	97.5	82.9	531	641
Swaziland	**281**	**42**	**48**	**10**	**35**	**4.8**	**32**	**4.5**	**43.6**	**370**	**848**
•Tanzania	4,918	55	34	11	87	16.6	365	69.1	186.1	192	103
•Togo	**1,185**	**33**	**49**	**18**	**90**	**18.8**	**86**	**17.8**	**91.8**	**338**	**368**
Tunisia	6,899	39	31	30	1,138	22.5	1,349	26.7	71.7	862	1,260
•Uganda	**1,808**	**22**	**66**	**12**	**209**	**81.2**	**148**	**57.4**	**44.7**	**108**	**241**
•Zaire	8,843	59	24	17	513	21.5	862	36.1	96.6	257	266
•Zambia	**6,874**	**34**	**31**	**35**	**171**	**12.3**	**529**	**37.9**	**137.9**	**877**	**636**
Zimbabwe	3,088	27	19	54	472	25.6	536	29.1	53.6	323	602
Total/Average**	**236,660**	**41**	**21**	**38**	**23,535**	**30.0**	**35,832**	**45.4**	**97.3**	**437**	**449**

• Debt rescheduled on Toronto terms, 1988-90. † Including all short-term debt. * 1989 debt service covers *actual* payment on long and short-term debt, including IMF. 1990 debt service equals scheduled payments on *long-term debt only*; ratio expressed as a % of 1989 exports. ** Totals do not include Libya; weighted averages. a 1987; long-term debt only. b 1987. c 1988. n.a. Not available.

Source: Africa Recovery based on World Bank *World Debt Tables, 1990-91*, except for Angola (Bank data) and Libya (OECD data). Namibia not included because of lack of data. All debt totals refer to long and short-term debt.

Kenya women fight deforestation

By Daphne Topouzis

The greatest accomplishment of Kenya's grassroots Green Belt Movement, according to its head, Dr. Wangari Maathai, has been to get Kenyans to see the links between environmental degradation and such other issues as fuelwood shortages, inadequate food production and poverty.

By planting some 10 million trees at the Movement's prompting, Kenyan villagers have not only contributed to protecting the environment in general but have also been able to draw immediate benefits, most notably in firewood supply. "This has helped change their attitude toward the environment," Dr. Maathai said during a recent visit to New York.

Deforestation should not be seen as an exclusively rural problem, she added. It contributes to rural-urban migration and the growth of large slum areas around Nairobi. "When you see a slum you do not immediately think of it as an environmental problem. But many of these people are what we now call 'environmental refugees', who have left their land because it is unproductive."

Dr. Maathai, a biologist and the first Kenyan woman ever appointed a professor at the University of Nairobi, was a founding member in 1977 of Save the Land Harambee (harambee is Swahili for "let's all pull together"), a community tree-planting campaign set up by the National Council of Women. This later became the Green Belt Movement. For her work in taking the environmental message to African women farmers, Dr. Maathai has gained international recognition, winning the first Better World Award in 1986, as well as the UN Environment Programme's Global 500 award. In October 1990 she became a member of an international committee of women environmentalists that will seek to ensure that issues of particular concern to women receive greater attention in debates on environment and development.

UN/Jacche Curtis

Dr. Wangari Maathai (left), founder of the Green Belt Movement, which has organized over 50,000 families to help safeguard their environment.

The Green Belt Movement relies exclusively on local expertise and advisors. "We decided that this was going to be our project," said Dr. Maathai. "We discovered that when outside experts come, they actually disempower people. They make them feel like they cannot do anything by themselves."

Much of the Movement's funding, however, comes from external donors, including the Nordic countries and the United Nations Development Fund for Women (UNIFEM). "We never have enough money," explained Dr. Maathai. "Because we are a women's non-governmental organization, we do not attract as many donors. So we are always on the road trying to fund-raise."

The example of Kenya's Green Belt Movement is having an impact on neighbouring countries in East Africa and southern Africa, where efforts are now being made to initiate similar movements.

"We discovered that when outside experts come, they actually disempower people. They make them feel like they cannot do anything by themselves."

Dr. Wangari Maathai

Dr. Maathai identified soil erosion as Kenya's most pressing environmental problem. To counter the resulting desertification and deforestation — which directly affect the livelihoods of families dependent on subsistence agriculture — the Green Belt Movement devotes much of its attention toward tree plantings. It promotes the use of indigenous varieties that provide fuelwood and fruit, rather than the kind of "exotic" trees brought in by European settlers at the turn of the century. Some of these non-indigenous varieties use up excessive amounts of water.

The Green Belt Movement has established more than 1,000 tree nurseries and helped organize as many local groups, involving 50,000 households, comprising half a million villagers. In addition, some 3,000 schools, with one million students, are also involved in tree plantings.

"Women are by far our greatest target," said Dr. Maathai, "because they are the people who work the land in Africa." The women give tree seedlings raised in the nurseries to other farmers and neighbours free of charge. If the seedlings survive more than three months outside the nursery, the women get paid. "For many women who are subsistence farmers and have no food left over to sell, the money from tree planting is their only income," Dr. Maathai observed.

The Movement has encountered some tough problems in organizing women, however. Most are illiterate and speak different languages, making communications difficult. In addition, many of the women are so poor they are preoccupied with matters of everyday survival; unless they see quick results, they may abandon the project.

Nevertheless, progress is being made, not only in spreading environmental awareness, but also in strengthening rural people's self-confidence. "You can actually see change," Dr. Maathai said. "You can see people being empowered and realizing their self-worth. People realize that change can take place, and that it can be spurred by ordinary people with no formal education or sophisticated information at their disposal." ■

Rural credit: vital for women and African food security

Since women make a predominant contribution to Africa's agricultural production, especially of food, greater efforts need to be made by governments, donor agencies and local financial institutions to ensure that women's efforts are "maximized and sustained," according to Gloria Nikoi, vice-chairperson of Ghana's National Association of Rural Banks and a former foreign minister of the country.

In particular, rural women must be brought into the mainstream of bank lending programmes, in a way which recognizes their specific needs, Mrs. Nikoi told the fifth symposium of the Advocates for African Food Security at the United Nations last November, at which she was the keynote speaker. Another speaker, Chief Bisi Ogunleye of the Country Women's Association of Nigeria, likewise stressed the importance of women's credit schemes.

Currently, Mrs. Nikoi said, bank credit policies are particularly discriminatory, tending to label women — whose small-scale economic activity might be mobile or seasonal — as credit risks. This locks women into a "vicious circle of small-scale operations," lacking credit to improve, expand and gain in creditworthiness.

Women producers also face discrimination in gaining access to land and agricultural extension services, Mrs. Nikoi told *Africa Recovery*. Considering that women produce about 75 per cent of Africa's food, such discrimination is detrimental to the continent's efforts to achieve food security.

One type of response to this problem has come from the Akuapem Rural Bank at Mamfe in Ghana's Eastern Region, of which Mrs. Nikoi is the chairperson. In 1987, it started a "women in development" programme, the first among Ghana's 120 rural banks. The programme aimed to draw in more women small-scale traders and producers in the bank's wider efforts to mobilize local resources and promote income-generating activities.

It was found that while women were one-third of the bank's shareholders, and deposit and current account holders, they made up only one-fifth of the borrowers. "But there are more women in the Akuapem area than men," says Mrs. Nikoi, "because many of the men migrate to the western cocoa-growing areas of Ghana." Not only are mothers and grandmothers in the 17 hill towns of Akuapem very often single heads of households, they are also farmers and are involved in such activities as backyard poultry and pig-farming, running small restaurants, and trading, which often involves long-distance produce buying.

The Akuapem bank's programme for women began with a needs assessment workshop. Instead of an expected turnout of some 300 women, around 2,000 came. They answered questions about their occupations and presented their problems and criticisms of the bank's services.

Pig and poultry farmers all complained about the cost and availability of feed. The Akuapem bank organized the renting of a local mill and supplied feed inputs so there was no longer any need to go to Accra. It is currently developing a feed mill project that would serve all comers in and around the 300-square-mile Akuapem area.

Another targeted intervention addressed the particular difficulties of women who travel to northern Ghana buying yams, tomatoes and other staples for Akuapem, a food-deficit area. They would spend three days buying produce, then have to wait with their perishable goods for up to a month for transport back — the more numerous traders from Accra got preference. The bank bought a vehicle for C9 mn (or $28,000 at the time) which began operating last February on a commercial basis. Turn-around time for the traders has now been reduced from four weeks to just three days.

Credit from the Akuapem rural bank is targeted to agriculture especially, but also to all forms of rural enterprises, with a heavy emphasis on very small-scale producers. For example, says Mrs. Nikoi, farmers with over 50 acres or enterprises with turnover above C500,000 are not eligible. The bank also tries to ensure that at least 50 per cent of loans are of C10,000 or less, and another 30 per cent do not exceed C20,000. But even these ceilings are under review, said Mrs. Nikoi. This is because access to credit is particularly difficult for such modest borrowers in view of the normal criteria for collateral. Procedures have therefore been simplified: applicants must have an account with the bank for six months, but need only two locally reputable individuals as references, and no collateral. The bank is currently looking to help women who need credit but are unable to save with the bank.

"Rural banking institutions must recognize the specific needs of women, who produce seventy-five percent of Africa's food." Gloria Nikoi

At the Advocates for African Food Security symposium, Mrs. Ogunleye discussed the experience of her own organization, the Country Women's Association of Nigeria (COWAN), of which she is the national co-ordinator.

COWAN, which was launched in 1982, grew from six co-operatives of 150 members to over 600 groups involving more than 18,000 families. It had successfully launched a credit scheme in 1983 based on the traditional *esusu* savings groups (known in Ghana and Sierra Leone, for example, as *susu*, and in some francophone countries as *tontine*). In 1989 it joined the Union Bank of Africa's (UBA) Credit for Rural Women scheme which required no collateral. The bank agreed to lend to individual COWAN members who then share the loan with 10-15 other members. After a year, they collect individual contributions to make the total repayment. Mrs. Ogunleye said the N1.3 mn lent by the UBA to 330 COWAN members was in fact being used by 3,330 women, and repayment rates had so far been 100 per cent.

She insisted that African food security had to be a self-sustaining process that consciously applied the values and institutions of rural people, rather than a series of programmes designed elsewhere, which had no faith in the people. In particular, she said, "Africa is not making maximum use of the natural intelligence obtained from the experience of rural women." ■

FOOD

from page 5

In **MOZAMBIQUE** food aid will be needed for 2 million displaced people inside the country and more than 1 million Mozambicans in neighbouring Malawi, Zimbabwe, Tanzania and Swaziland.

Out of a food aid requirement of some 250,000 tonnes for free emergency distribution in Mozambique during the 1990-91 crop year, just 190,000 tonnes had been pledged by end 1990; out of an additional 711,000 tonnes needed for Mozambique's commercial markets, about 400,000 had been pledged.

A December 1990 donors' consultative group meeting in Paris estimated that Mozambique's emergency food aid requirements over 1991-92 will reach 300,000 tonnes for free distribution, plus another 700,000 tonnes for the depleted commercial markets. This amount could increase significantly if the peace process in that country succeeds, bringing a return to their homes of hundreds of thousands of refugees and displaced Mozambicans.

Crop shortages across Africa will limit the ability of the international donor community to purchase food for these operations from within the continent. For example, the total lack of sorghum in Sudan will make it difficult for the consortium of non-governmental organizations moving food across the Sudan/Ethiopia border to continue their operation on the same scale as in 1990. Lower crop levels in some countries like Uganda and Malawi, and uncertain crop prospects in other surplus countries, will also make it harder to find food to purchase for relief operations.

Apart from the money needed for the actual food aid, the costs of moving food will be very high. The ability of many low-income African countries to shoulder this cost is limited.

In addition, the areas where food is most needed are generally difficult to reach due to poor roads in many parts of the most affected countries, internal insecurity, the difficulties in moving food during the rainy season, and the distances involved. It can cost up to $400 per tonne to move food from Port Sudan on the coast to Darfur in western Sudan, for example. Therefore, emergency operations in 1991 will require much larger budgets to ensure that the food can actually be delivered.

Aggravating the situation is a growing trend among donors to contribute to an emergency operation only when an assessment of total needs has been completed, or to make their responses contingent on specific requests from the governments of afflicted countries. In addition, the sheer magnitude of the needs for 1991, coupled with the new demands of Eastern Europe and the Soviet Union, may make it difficult to provide enough food for Africa.

Advance pledging to the International Emergency Food Reserve, the multilateral facility used by the WFP to respond to global emergencies, has worn thin over the years. The fund has been virtually empty since September 1990 and the WFP has had to either advance funds and food for emergencies or else wait until a donor provides assistance in response to a specific request. ■

Gulf war hampers response

Officials of the UN Disaster Relief Organization (UNDRO) estimate that as many as 1 million more refugees may leave the Gulf region due to the war there. Many of these will be Egyptians, Sudanese and Somalians and the costs of re-absorbing them will further stretch the limited resources of those countries. New relief efforts on behalf of Gulf evacuees are also underway in Jordan, Syria, Turkey and other countries in the region. Officials worry that these pressing demands will make it difficult for donors to respond adequately to all the food emergencies in Africa. European aid agencies, many of which have issued appeals to help combat the famine in Africa, have warned that the public response is being adversely affected by the Gulf war and demands from other regions, such as Eastern Europe and the Soviet Union.

UN officials involved in the Sudanese relief operation have likewise expressed concern that the Gulf war potentially could disrupt shipping through the Suez Canal and Red Sea. Such disruptions would severely hamper food deliveries to Sudan and Ethiopia in particular.

UNICEF

from page 6

now available — vaccines, oral rehydration salts, vitamin A supplements, etc. — cost very little and can reach large numbers of people, while new hospital construction, which is very expensive, ultimately benefit far fewer people.

"Relatively modest spending shifts from high per capita cost services, which generally serve the relatively better off, to low per capita cost strategies for the poor could ... release enough to meet the developing world's share of the overall bill." Reduced military spending can also free up resources, the report stresses.

Expenditures on health, education and other social sectors need to be safeguarded from the spending cuts often associated with structural adjustment policies, says the report. Noting that this view is now endorsed by the World Bank and International Monetary Fund, the report continues, "But in practice, even the specific steps which have been taken are designed primarily to compensate for the ill effects of adjustment policies rather than to protect and improve the health, nutrition, and education of the poorest and the most vulnerable. The human development goals adopted for the 1990s should now become guidelines for adjustment policies, as of development

UNICEF Executive Director James Grant. The deeds of a decade not the declarations of a day will determine the results of the World Summit.

policies, in the decade ahead."

External sources of financing also can be better targeted toward strengthening these areas, states the UNICEF report. Currently, less than 25 per cent of all the industrialized world's bilateral official development assistance is devoted to health and education. Even this proportion has fallen by nearly a third over the past decade. In addition to increasing this percentage, debt relief might be specifically linked to investments in reaching the goals agreed to by the summit.

"In sum," says UNICEF Executive Director James Grant about the results of the World Summit, "a great promise has been made to the children of the 1990s. Whether the promise will be kept is a question which will be answered not by the declarations of a day but by the deeds of a decade." ■

AFRICA IN BRIEF

UN development strategy for 1990s

Unless there are major improvements in current development efforts, the coming decade will hold the prospect of continued stagnation for much of the developing world, particularly Africa and Latin America, according to the new International Development Strategy (IDS) adopted by the UN General Assembly in December.

The IDS, which covers the Fourth UN Development Decade (1991-2000), hopes to overcome this trend by promoting greater international co-operation toward resolution of the key problems obstructing the development process: the external debt crisis, inadequate development financing, unfavourable trading systems and inappropriate policies in the developing countries themselves.

The Strategy, which sets out broad guidelines rather than a strict charter of action, urges that governments adopt development policies that promote more rapid economic growth while at the same time responding to social needs and reducing extreme poverty. Both the public and private sectors and individuals should contribute to this process. Political systems based on consent and respect for human, social and economic rights are needed to broaden the base of economic and political decision-making.

The IDS argues that special international efforts are required to help the world's least developed countries, and endorses the aid targets set by the recent Paris conference on the LDCs (see page 15). It also reaffirms the UN's overall aid target: that donors provide 0.7 per cent or more of their gross national products in aid to the developing countries.

On debt, the Strategy urges that official creditors broaden the scope of their debt relief initiatives, that ways be found to ease the burden of multilateral debt, and that creditor countries review their policies and regulations to facilitate commercial debt and debt-service reduction operations.

To improve developing countries' trading prospects, the IDS appeals for a reversal of protectionist trends, the reduction of tariff and other barriers to developing countries' exports, the freeing of trade in tropical products and those based on natural resources and improvement to the generalized system of preferences, under which some developing countries' exports enter industrialized markets duty free or at reduced rates. ■

UNDP

World Bank President Barber Conable (left), UNDP Administrator William Draper and UNEP Executive Director Mostafa Tolba, announcing the new global environment facility in September.

New global UN environment fund

Between $1 bn and $1.5 bn was pledged toward a new Global Environment Facility for developing countries at a late November meeting in Paris, according to estimates by World Bank Senior Vice President Ernest Stern. The Facility is a joint undertaking of the Bank, the UN Development Programme (UNDP) and the UN Environment Programme (UNEP).

Of the 25 countries that participated in the pledging conference, six are themselves developing countries: Morocco, Zimbabwe, Brazil, Mexico, India and Turkey. Each undertook to contribute SDR5 mn (US$7.2 mn) to the fund.

When the proposal to establish the facility was first made public in New York in September, World Bank President Barber Conable, UNDP Administrator William Draper III and UNEP Executive Director Mostafa Tolba said that its aim would be to help developing countries tackle key environmental concerns that transcend national borders. It will focus on four areas: guarding against depletion of the ozone layer, arresting global warming (by reducing emissions of carbon dioxide and other greenhouse gases, and increasing efficiency in the use of energy), protecting against the loss of biological diversity, and combatting the pollution of international waters.

Resources from the three-year facility (1991-93), which will be managed jointly by the UNEP, UNDP and the Bank, will go towards providing grants and concessional loans to poor countries for investment, transfer of technology, technical assistance and research and training. These funds will be in addition to what the developing countries and the administering agencies are already doing to protect the environment. ■

Nigeria's budget boost

Rising export earnings have allowed sub-Saharan Africa's largest economy to produce an up-beat budget for 1991. Presenting the first surplus budget in seven years on 1 January, Nigeria's President Ibrahim Babangida announced a series of measures designed to stimulate the economy and ease some of the painful costs of the country's structural adjustment programme. These included a 26 per cent increase in allocations to the foreign exchange auctions to boost imports; a doubling of the minimum wage; and a reduction of interest rates to 20-21 per cent from levels around 30 per cent in second-half 1990.

Measures to maintain the drive towards food self-sufficiency were prominent in President Babangida's address. These include the establishment of a National Agricultural Land Development Authority, increased support for the National Commission for Women and the Better Life Programme — "in recognition of the strategic role of women in Nigerian agriculture" — and further strengthening of local community banks, designed to increase farmers' access to credit.

He also said that Nigeria would proceed with removing all tariff barriers to trade with fellow members of the Economic Community of West African States (ECOWAS) in 1991.

The budget anticipates external revenues of $11.85 bn in 1991, of which $4.05 bn is projected to come from non-oil earnings. Oil earnings of $7.8 bn are predicated on output of 1.6 million barrels a day (b/d) at an average price of $21 a barrel. The 1990 budget assumed a price of $16, but prices averaged over $30 a barrel in 1990, with output around 1.9 million b/d in the last part of the year.

Higher oil earnings helped to generate real growth in gross domestic product (GDP) of 5.2

per cent in 1990, with 6 per cent growth anticipated for 1991. Inflation is projected to fall to 8 per cent in 1991 from over 15 per cent at end-1990.

The budget has allocated $2.97 bn for servicing of the external debt, which is 30 per cent of anticipated export earnings and in line with the practice of recent years. ■

Ghana, Zambia budgets show downturn

Falling commodity prices and higher import bills have hit recovery efforts in Ghana and Zambia.

Presenting his 1991 budget in January, Ghana's Secretary of Finance and Economic Planning Kwesi Botchwey said 1990 had proved Ghana's "most difficult year" since the recovery programme got underway in 1983. A combination of falling cocoa prices, rising oil prices and drought slowed the growth of the country's gross domestic product (GDP) to 2.7 per cent in 1990 from an average of 5 per cent in the preceding six years. Ghana's terms of trade deteriorated by 14 per cent in 1990, compared with an average of 10 per cent in 1987-89.

Secretary Botchwey announced a budget with expenditure close to 30 per cent up on the 1989 budget. But with inflation averaging 37 per cent in 1990, expenditure is down in real terms. Reflecting continuing pressure on the cost of living, the budget has eased some tax burdens. Other measures include efforts to further stimulate private sector investment and the selling off of public and government-owned vehicles.

Secretary Botchwey said the government is anticipating a 4 per cent growth in GDP for 1991 and will try to bring the inflation rate down to 10 per cent. Ghana's third structural adjustment programme is currently underway, with an emphasis on public sector reform and encouraging private investment. Continued heavy financing is scheduled from the World Bank and the International Monetary Fund (IMF), with the former approving over $200mn in additional credits for the transport, health and agricultural sectors in January.

Direct Bank and Fund support is not so readily available for Zambia, which remains in arrears to both institutions. Both, however, are helping to mobilize increased bilateral support for the country.

Zambia needs more funding as a result of the Gulf crisis as well as the impact of falling copper prices, Finance Minister Gibson Chagaga said in November, when presenting his 1991 budget.

Zambia's GDP fell by 2 per cent in 1990, the worst fall since independence, Mr. Chagaga said. The budget deficit had risen to over 6 per cent of GDP, against a planned 5 per cent, largely as a result of higher oil bills. Oil imports cost an estimated $180 mn against the usual $60 mn.

The 1991 budget increases expenditure, with the social sector and agriculture priority targets, including an allocation to support small-scale women farmers. Modifications to the tax regime have been made, as well as other measures to improve incentives to farmers and the private business community. The benefits of increased allocations, however, will be offset by inflation which averaged 80 per cent in 1990, a rate the government hopes to halve in 1991. ■

PTA plans for monetary union

Members of the Preferential Trade Area (PTA) for Eastern and Southern Africa launched a programme on monetary harmonization at their 23-24 November annual summit, held in Mbabane, Swaziland. The programme will eventually lead to the establishment of full monetary union within the 18-country regional community. An earlier meeting of the PTA Council of Ministers had outlined a timetable for full monetary integration by the end of the decade.

The summit did approve plans for the harmonization of road transit charges in the PTA, though discussions on this issue are expected to continue, and took note of proposals for the establishment of a commodity future's market and a PTA stock market, both seen as a means of accelerating the integration process.

The summit was attended by 10 heads of state or government. Angola and Sudan attended for the first time as full members of the PTA, while Namibia and Zaire attended as observers. ■

Appointments

• **IDEP** - UN Secretary-General Javier Pérez de Cuéllar has appointed Dr. Jeggan Senghor as director of the Dakar-based African Institute for Economic Development and Planning (IDEP). A think-tank affiliated to the UN's Economic Commission for Africa (ECA), IDEP was established in 1962, with the noted Egyptian economist Samir Amin as its first director. Dr. Senghor, a national of the Gambia, was previously chef de cabinet to ECA Executive Secretary Adebayo Adedeji.

• **WORLD BANK** - Lawrence Summers has been appointed Chief Economist of the World Bank, taking over from Stanley Fischer, who has returned to the Economics Department at the Massachusetts Institute of Technology, where Summers had also been a member of the faculty.

• **DAC** - Mr. Alexander Love has replaced Mr. Joseph Wheeler as Chairman of the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD). Mr. Love, who takes up his appointment in February, was previously Counselor to the US Agency for International Development, where he gained extensive experience on Africa, including managing US relief and assistance operations during the 1984-85 famine.

• **GLOBAL COALITION FOR AFRICA** - Mr. Boubakar Diaby-Ouattara has been appointed Executive Secretary of the Global Coalition for Africa, which was established at the July 1990 meeting in Maastricht, the Netherlands, of prominent African and donor ministers and senior officials. The coalition, whose offices will be in Washington, aims to bring together African and donor officials to help maintain African issues on the international political agenda. Mr. Diaby-Ouattara, an Ivorian businessman, is a former executive secretary of the Economic Community of West African States (ECOWAS) and serves on the boards of a number of international fora. ■

• **PTA** - Former Economic Commission for Africa (ECA) official, Dr. Bingu Wa Mutharika took over as Secretary-General of the Preferential Trade Area for Eastern and Southern Africa on 1 January. He replaces Bax Novemte, who had been PTA Secretary-General since 1983. Dr. Mutharika, a Malawi national, was previously Director of the ECA's Trade and Development Finance Division. He has worked widely on African economic integration issues. ■

AFRICA AGENDA

FORTHCOMING EVENTS

February, Addis Ababa, Ethiopia: Organization of African Unity Council of Ministers meeting scheduled to adopt the draft treaty establishing the African Economic Community before submission to the June summit of the OAU.

19 February-2 March, Nairobi, Kenya: Legal Aspects of Debt Management is the theme of a seminar to be held by UN Institute for Training and Research (UNITAR) for lawyers from member states of the East African Development Bank.

4-7 March, Dakar, Senegal: Meeting of the NGO- World Bank Committee.

4-8 March, Abidjan, Côte d'-Ivoire: Traditional and new export materials: A conference organized by the UN Centre for Science and Technology for Development, with the World Bank, Economic Commission for Africa, and the UN Industrial Development Organization.

13-15 March, Baltimore, US: Meeting of the World Bank's Council of African Advisers, a three-year old informal consultative body of distinguished Africans meeting twice yearly with the Bank on African issues.

1 April, Gaborone, Botswana: Southern African Women's Assembly on Sustainable Development.

3-5 April, Providence, US: Fourth Annual Hunger Research Briefing and Exchange, sponsored by Brown University and InterAction, will discuss "Implementing the Bellagio Declaration: Ending Half of the World's Hunger by the Year 2000".

9-12 April, Abidjan, Côte d'-Ivoire: First African-African American Summit of heads of state, and eminent people from the public, religious and private sectors, hosted by President Houphouët-Boigny and convened by Reverend Leon Sullivan to promote sub-Saharan Africa's development.

29-30 April, Washington, US: Spring meetings of the World Bank/IMF Development and Interim Committees.

29 April-3 May, Windhoek, Namibia: Seminar on the African Press, organized by the UN and UNESCO to promote an independent and pluralistic press.

7-9 May, Abidjan, Côte d'Ivoire: African Development Bank and African Development Fund joint annual meetings.

9-12 May, Addis Ababa, Ethiopia: Meeting of the ECA Council of Ministers.

May, Kampala, Uganda: Conference on Security, Stability, Cooperation and Development in Africa, co-sponsored by the Africa Leadership Forum, the OAU and the ECA, to promote a new environment for economic co-operation and integration. This follows an exploratory meeting of 30 high-level Africans in Addis Ababa last November.

3-5 June, Abuja, Nigeria: Annual Summit of the Organization of African Unity.

3-21 June, Baltimore, US: Advances in Family Health Communication, is a John Hopkins University workshop for decision-makers and administrators of family planning and health programmes in developing countries.

June, Abidjan, Côte d'Ivoire: Financial Sector Reforms in Africa, a conference organized by the African Development Bank.

June, London, UK: Summit meeting of the Group of Seven leading industrial countries

26-28 June, Paris, France: "Afrique Investir", an investment promotion fair organized by the Association for Industrial and Technological Development in Africa with the Paris Exhibitions Committee.

September, New York, US: Review of the UN Programme of Action for Africa's Economic Recovery and Development. The Ad Hoc Committee of the General Assembly will meet for 10 days to assess the implementation of this special programme for Africa.

16-27 September, Punta del Este, Uruguay: Eighth conference of the UN Conference on Trade and Development.

30 September-4 October, Addis Ababa, Ethiopia: International Conference on Hydrological Services in Africa.

10-17 October, Bangkok, Thailand: World Bank and IMF annual meetings.

16-22 October, Harare, Zimbabwe: Commonwealth summit.

November, Geneva, Switzerland: Advisory meeting of African members of the International Labour Organization's governing body.

WHAT'S TAKEN PLACE

20-22 September 1990, Washington, US: Fifth Annual International NGO Forum on World Bank and International Monetary Fund Lending, was attended by nearly 200 representatives of North and South American, African and European NGOs.

18 October, Ottawa, Canada: Partnership Africa Canada annual general meeting. A significant proportion of the over 175 participants were African NGO representatives following up on Canada's pioneering drive to allow Africa itself to set its priorities.

5-9 November, Abidjan, Côte d'Ivoire: Conference on the protection of rain forests in Central and West Africa. African and donor governments, African and international NGOs, and forestry experts attended this first major conference on forestry held in either sub-region, sponsored by the International Union for the Conservation of Nature, the World Bank, and the African Development Bank.

20 November, Algiers, Algeria: African Industrialization Day marked by the UN Industrial Development Organization and the Algerian Ministry of Mining and Industry with a conference on integrating industry and agriculture.

28 November, Washington, US: The Arusha Process comes to the US: Over 40 US NGOs discussed applications of the African Charter for Popular Participation in Development in their own work and in their relations with African NGOs.

3-7 December, Abuja, Nigeria: "Mobilizing the Informal Sector and NGOs for African Recovery and Development". This 12th annual round table of the African Association for Public Administration and Management was jointly organized with the ECA.

4-11 December, Harare, Zimbabwe: "Development Strategies for Resources, Management and Technology" was the theme of the African Telecommunication Development conference, accompanied by the "Africa Telecom 90" exhibition held by the International Telecommunication Union jointly with Zimbabwe's Posts and Telecommunications Corporation

6-8 December, Lagos, Nigeria: Lagos Plan of Action 10th anniversary assessment, a high-level expert group meeting sponsored by the ECA, OAU and African Development Bank, and attended by senior African officials.

7 December, Tripoli, Libya: Fifth ordinary Congress of the Organization of African Trade Union Unity.

9-14 December, Abidjan, Côte d'Ivoire: Conference of the African Economic Research Consortium held workshops on external balance and macro-economic management, internal and external debt management, and domestic resource mobilization.

17-19 December, Bamako, Mali: Organization of African Unity ministers' conference on environment and development.

8-11 January 1991, Cotonou, Benin: North-South Non-Governmental Co-operation: Stakes, Changes, Prospects. Participants from African, European and North American NGOs discussed improved collaboration at a conference sponsored by the Fondation de France.

14-17 January, Dar-es-Salaam, Tanzania: National awareness seminar on external debt management organized by the UN Institute for Training and Research for senior officials.

14-23 January, Kumasi, Ghana: Workshop on environmental programmes, organized by UNDP's NGO Division, brought together national co-ordinators of NGOs from some 10 African countries.

23-26 January, Marseilles, France: Third International Exhibition of North-South Co-operation and Trade, sponsored by the European Community and the French Ministry of Development and Co-operation.

24-25 January, Paris, France: Towards pluralism in the francophone African press was the theme of a colloquium at UNESCO headquarters organized by the Panos Institute in Paris and the Dakar-based West African Journalists' Union (UJAO) to familiarize multilateral and official development agencies, and NGOs, media and business circles with the state of the francophone African press and avenues for co-operation and progress.

28 January-2 February, Windhoek, Namibia: Southern African Development Co-ordination Conference consultative meeting with donors.

AFRICA BOOKS

Manufacturing Africa: Performance and Prospects of Seven Countries in Sub-Saharan Africa, ed. Roger C. Riddell (Overseas Development Institute, London; $47.50 cloth, $30 paper). Riddell argues that the role of industry is either ignored or downplayed in influential external perspectives on Africa's development in the 1990s (such as the World Bank's end-1989 long-term study). Could this lack of specific pro-industry policies leave Africa more underdeveloped by the year 2000?

Riddell introduces case studies on Botswana, Cameroon, Côte d'Ivoire, Kenya, Nigeria, Zambia and Zimbabwe, which together account for 60 per cent of total manufacturing value added in sub-Saharan Africa. The studies show the degree of domestic linkage and export-orientation of manufacturing, and factors that have encouraged or constrained expansion, and also assess the potential role of industrialization in a realistic strategy for African development in the 1990s.

Agricultural Trade Liberalization: Implications for Developing Countries, ed. Ian Goldin and Odin Knudsen (Organization for Economic Co-operation and Development and the World Bank, Paris; 1990; FF 180).

Agricultural Trade Liberalization in the Uruguay Round: Implications for Developing Countries (United Nations, UNCTAD/ITP/48; New York; 1990) The OECD/World Bank volume contains the proceedings of an October 1989 symposium. The joint study by UNCTAD, UNDP and the World Institute for Development Economics Research was presented at a Geneva workshop in November 1989. Both volumes advance analysis of this important issue for Africa.

Zambia: An Assessment of Zambia's Structural Adjustment experience, by Roger Young and John Loxley (North-South Institute; Ottawa, Canada; 1990; $12). This study charts Zambia's troubles with and without the IMF and World Bank, copper price fluctuations, "IMF-riots", and attempts at indigenous adjustment.

Europe 1992, Africa, and the US (Centre for Economic Research on Africa, Montclair State College, New Jersey, USA; 1990; $10.50; $15 overseas).

The Impact of Europe in 1992 on West Africa, ed. Olusegun Obasanjo and Hans d'Orville (Crane Russak, Taylor and Francis Group, Bristol, Pa. USA; 1990; $39). The two volumes contain the proceedings of symposia attended by senior officials from private, governmental and international institutions.

After the Women's Decade: The Task Ahead for Africa (*Africa Today*, Vol. 37, No. 1; Graduate School of International Studies, University of Denver, Colorado, USA; 1990; $3.50), looks at women's roles and general progress, with South African, Sierra Leonean and Kenyan case studies.

Au-delà de l'ajustement (ENDA - Environnement Africain, Dakar, Senegal; 1989). Major themes in this 646-page edition (published in French and English) include "adjustment fatigue", the economic, social and physical environment, the informal sector, and the role of rescheduling in the debt crisis, with studies on Côte d'Ivoire, Senegal, and Madagascar.

African Development Perspectives Yearbook 1989, Vol. 1: Human Dimensions of Adjustment, ed. Research Group on African Development Perspectives, Bremen (Schelzky & Jeep, Berlin; 1990; DM 98). This 712-page volume includes official documents and 37 widely sourced papers on African development issues, with case studies of Botswana, Zimbabwe and Nigeria. The editors, at Bremen University's Institute for World Economics, are calling for papers for a 1991 volume on agriculture-based industrialization.

Structural Adjustment in Africa, ed. Bonnie K. Campbell and John Loxley (Macmillan, London; 1989; £30) includes chapters on Tanzania, Zimbabwe, Uganda, Ghana, Côte d'Ivoire, Madagascar, Cameroon and Morocco, which cover the policies, debates and experiences of implementing adjustment.

World Policy Journal, Vol.7 No. 4 (World Policy Institute, New York; $6.75). The autumn 1990 issue of this quarterly includes Richard Sandbrook analyzing the World Bank's political models in Africa, and John Ravenhill evaluating its latest economic prescriptions.

The Third World Without Superpowers: The Collected Documents of the Group of 77, ed. Karl P. Sauvant and Joachim W. Müller (Oceana Publications, New York; Vols. 1-7 $50 each; Vols. 8-13 $65 each).

The Collected Documents of the Non-Aligned Countries, ed. Odette Jankowitch and Karl P. Sauvant (Oceana Publications; Vols. 1-10, $50 each). These are valuable archives starting from 1964 for the Group of 77, and 1956 for the Non-Aligned, and cover their participation in such arenas as the IMF and World Bank, and the UN up to 1990.

The Making of Economic Policy in Africa, Ravi Gulhati (World Bank Economic Development Institute Seminar Series; 1990; $6.95) examines policy developments in 1980-86 in Zambia, Malawi and Mauritius, and in 10 other countries. The author says industrial country policies and strategic myopia in sub-Saharan Africa have hindered economic stabilization.

The Food Question: Profits Versus People?, ed. Henry Bernstein, Ben Crow, Maureen Mackintosh and Charlotte Martin (Earthscan, London; 1990; £7.95). Contains 16 articles on food aid politics, class and gender issues in agribusiness and structural adjustment, and biotechnology.

African Governance in the 1990s: Objectives, Resources, and Constraints (Carter Center of Emory University, Atlanta, Georgia, USA; 1990; $15 individuals, $22.50 institutions) contains working papers from the second annual seminar in March 1990 of the African Governance programme. Case studies include Cameroon, Uganda, Ghana, Somalia and Ethiopia.

The African Debt Crisis, Trevor W. Parfitt and Stephen P. Riley (Routledge, London; 1989; £30), traces the origins of the debt crisis, with studies of Nigeria, Sierra Leone, Zaire, the francophone states, and Ghana (Jeffrey Haynes on the 1977-1987 period).

Greenhouse Effect and its Impact on Africa, ed. Dr. M. Suliman (Institute For African Alternatives, London; 1990; £3.95) presents contributions from a November 1989 symposium on the economic and social repercussions of climate change.

The Sahel: The Peoples' Right to Development, Nigel Cross (Minority Rights Group, London; 1990; £3.00) discusses the economic, political and environmental problems of the Sahelian peoples, and often inappropriate aid.

Vivre et mourir en Afrique: Santé, population et développement, Philippe Engelhard, Moussa Seck, Taoufik Ben Abdallah (ENDA, Dakar; 1988) argues strongly for preventive rather than curative medical services, making education, sanitation and environmental care essential to development strategy.

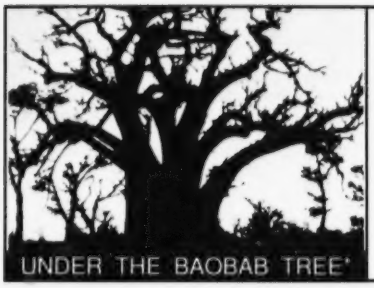
New Initiatives for Africa's Debt (Centre for Economic Research on Africa, Montclair State College, New Jersey, USA; 1989; $10.50; $15 international) contains proceedings of a May 1989 symposium attended by the World Bank, IMF, African Development Bank, USAID and the Nigerian Central Bank.

Adebayo Adedeji: Towards a Dynamic African Economy; Selected Speeches and Lectures, compiled by Jeggan Senghor (Frank Cass, London) "The roots of Africa's present social and economic difficulties lie primarily in the structural weaknesses of the African economy...Our countries themselves have to make the necessary adjustment programmes...The most critical structural deficiency is agriculture...The very poor performance in agriculture is a result of many factors, including in particular, inefficient price incentives, ineffective marketing by parastatals..."

"There is an obvious need for more effective government management of the available resources so that non-productive endeavours cease to constitute unnecessary financial drains..."

"We continue to devote our resources to produce for export rather than for our domestic needs...The African economy today is the most open and the most exposed in the world, overly dependent on external trade and other stimuli..."

Similar comments by Adebayo Adedeji, Executive Secretary of the Economic Commission for Africa (ECA), are widely reported these days in the media. But these particular quotations come from speeches Professor Adedeji made seven and 12 years ago. His tenure at the ECA since 1975 has been marked by an aggressive advocacy of African policy reforms and this new book provides a careful selection of his analyses of African economics between 1975 and 1986. The book is also an excellent guide to African economic concerns and policy trends in that period. President Abdou Diouf of Senegal and President Kenneth Kaunda of Zambia provide forewords.



LETTER FROM FREETOWN

DJIBRIL DIALLO

There are times when I sincerely wish the media were less monofocal. This desire is very strong these days as I look at how the Gulf war has been grabbing headlines to the near exclusion of everything else. Isn't it about time our world showed its ability to deal with more than one emergency at a time?

This is particularly true when it comes to Africa. The response to the African food emergency has been, at best, minimal. Once again, hunger and starvation threaten over 20 million Africans. This figure is far higher than during the horrible famine of six years ago. Civil wars and unrest, with heavy loss of life, continued in some countries, or flared up across the continent, particularly in Somalia, Liberia, and Rwanda. And we must never forget the continuing devastating impact of apartheid in South Africa and on the Frontline States (meaning the original ones in southern Africa, and not those near the Gulf war zone).

It had often been argued that lack of interest on the part of the media was symptomatic of wider disinterest in Africa's fate among industrialized nations. This was particularly true in the days of *perestroika* and *glasnost* which gave impetus to fundamental changes not only in East-West relations but also throughout Eastern Europe.

A correspondent of the London *Economist* once said that "the rich world would love to forget Africa." *Africa Confidential* recently quoted a leading policy-maker in Washington as saying that: "There is a profound lack of interest [in Africa] in this town. There is a feeling that, with the Cold War over, we don't really need a policy."

One country, one sub-region

Talking about messy problems haunting Africa, let's look at Liberia for a moment. What began as a small incursion culminated in the bloody end of a regime, with repercussions over the sub-region. These repercussions became most evident after the intervention of West African multinational forces — known as ECOMOG — raised tensions between certain countries that disagreed over the course that events in Liberia should take.

The internecine conflict in Liberia also led to what has been called "one of the largest and fastest refugee exoduses in history." In a matter of weeks, over 500,000 frightened and destitute Liberians sought asylum, mainly in the three neighbouring countries of Côte d'Ivoire, Guinea and Sierra Leone. Those who stayed behind were not better off: at least 1 million Liberians are 'refugees' in their own country.

A striking fact about the refugees is that each one has got a horror story to tell. "I have seen people being killed in front of me in Monrovia, said Bunting Clarkson. He was among those who had experienced 'treatment' at the hands of all the warring factions from Charles Taylor and Prince Johnson to Doe loyalists and the ECOWAS forces. During the long trek to Sierra Leone, Clarkson had to pass through numerous checkpoints controlled by different 'authorities'. "You've got to say which tribe you belong to. With the help of God, I used to tell them that I was a 'Congo' [American-Liberian] who couldn't speak any native language."

Before the Liberian crisis, refugees in Sierra Leone were counted in tens only. The local UN High Commission for Refugees (UNHCR) official knew them all by first name, and could invite them all for breakfast in her office. They were young South African and Namibian students who have now mostly gone home because of positive developments in southern Africa.

I remember the days when Adama Wurie, the energetic UNHCR Counsellor of those days, was like a mother to them. She was the one who placed them with local families and found schools for them. All that is a far cry from today, when Sierra Leone has had to cope with over 137,000 Liberians streaming in.

The reality of African hospitality struck home again. It was evident from the outset: everybody lived in somebody's home, and villagers shared their cooking pots and everything else. They gave up their rice stocks during the worst possible period of the year — the infamous 'hungry season' which precedes new harvests. They generously gave up their land, allowing refugees to settle, even to farm.

And because the refugees came from all over Liberia, it was not just a simple matter of going to live with relatives or ethnic kin. In many cases, refugees found themselves amidst local people with whom neighbourly relations had broken down in the past, or had even been 'traditionally' relations of hostility.

Pressure rises in the towns

The pressure of refugees has also been felt in the towns. The influx could not have come at a worse time for Freetown, where shortages of food and other essential items are looming. Christmas was very quiet this year in Freetown. Now, that was a serious sign, because the combination of Christmas and the New Year a few days later is an occasion for Sierra Leoneans of all religions to have family reunions and celebrations with whatever means are at their disposal. But much of the festive mood was gone this year.

"We are going through a difficult period of structural adjustment policy," remarked a local resident. For much of Africa, structural adjustment is seen as a euphemism for market prices and transport costs shooting up. Long queues for petrol and public transport have almost become normal sights in Freetown. It is also common for power cuts to last several days at a time, making electric generators essential.

My point is that here is Sierra Leone, a poor country with very weak infrastructure, generously receiving thousands of refugees out of genuine human charity.

Support still needed

But African hospitality can become a double-edged sword that can be used against Africans. It has sometimes been used as an excuse by some sectors of the international community in order to absolve themselves from their responsibilities, and as an excuse for not coming in quickly to help both the refugees and the host population in as many ways as possible.

No outside help can ever do enough to make up for the cost to the local population of the large-scale influx of refugees. But the international community has to continue to find ways to come to the rescue of those who gave up everything for the worthy cause of welcoming the wretched of this earth. So, African hospitality, yes, but not to the exclusion of international solidarity. ■

**The African Baobab is one of the world's hardiest trees, thriving in even the most arid environment. It is also the tree under which some Africans traditionally meet to decide issues of common concern.*

AFRICA WATCH

ADJUSTMENT

Devaluation policies questioned

A paper jointly authored by Jaime de Melo of the World Bank and Reccardo Faini of Johns Hopkins University has questioned the effectiveness of the substantial devaluations that the World Bank and the International Monetary Fund have often insisted upon in the adjustment programmes adopted by African countries.

Such devaluations are probably the most contentious elements of these programmes. In a recent interview with a number of senior international journalists, devaluation was one of the few specific elements of the adjustment programme that Tanzanian President Ali Hassan Mwinyi lashed out against — he said his country's economy was heavily dependent on imported inputs, the costs of which were raised astronomically through devaluation.

Faini and de Melo, whose "Adjustment, investment and the real exchange rate" was published in the October issue of *Economic Policy*, studied the economic performance of 83 countries over the last quarter century, with particular reference to the effect of exchange rates. They found that especially in the case of economies dominated by non-fuel commodity exports (the category most African countries fall under), devaluations in the 1980s did not lead to an improvement in their trade balances.

Possibly even more discouraging is their finding that such devaluations were linked to a fall in output, connected in part to a reduced ability to import. ■

PRIVATE SECTOR

APDF opens new offices

To mark the start of its second phase of operations on 1 November, the Africa Project Development Facility (APDF) opened its third African regional office in Harare. The new office, headed by Omari Issa, will cover Angola, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe.

APDF opened offices in Abidjan and Nairobi, when it began operations in 1986. APDF, sponsored by the African Development Bank, UN Development Programme and the International Finance Corporation, gives advice and helps find funding for African entrepreneurs wishing to start new businesses, or expand or modernize existing operations. In the first phase of its operations it helped raise $132 mn for investment in 67 projects. APDF's sponsors and 12 other donors have committed $32 mn for the second phase of operations, which will run until 1995.

IFAD

Renewed backing for food effort

The Rome-based International Fund for Agricultural Development (IFAD) is to seek funds from donors in order to maintain its Special Programme for sub-Saharan Africa. Arguing that Africa continues to face acute insecurity of food supplies, Idriss Jazairy, Director of the UN agency, said in January that he would try to raise the same amount of money — $300 mn — as in 1986, when the programme was established. ■

DEBT RELIEF

Poland, Egypt deals lead the way

Efforts by the US and others to offer deeper debt relief to Egypt and Poland have raised hopes that similar deals can be struck for other African countries. Both countries could be offered more generous rescheduling terms following discussions by leading Western finance ministers at a meeting of the Group of Seven in New York in late January. Group of Seven officials are reportedly still discussing whether to write off more than one-third of the official debts of the two countries. Details of any agreement would then be worked out in meetings of the Paris Club of official creditors.

The Club has been considering proposals from, among others, the Netherlands and the United Kingdom which involve greater debt cancellations; a move long called for by African countries. However, US Treasury Secretary Nicholas Brady was quoted as saying that Egypt and Poland were special cases because of their role in the Gulf crisis and the move of Eastern European countries to free markets respectively.

Mr. James Jonah, recently appointed by UN Secretary-General as Under-Secretary-General for Special Political Questions, Regional Co-operation, Decolonization and Trusteeship, a post with special responsibility for African affairs. Mr. Jonah was previously Assistant Secretary- General in the UN's Office for Research and Collection of Information, and is replacing Mr. Abdulrahim Farah, who is retiring.

Nigeria found its case for deeper debt relief rejected at a Paris Club meeting in mid-January. Creditors refused to treat it as a low-income country — and eligible for the slightly more generous Toronto terms offered to this group of countries. Instead 1991-92 debt falling due is to be rescheduled over a mix of 15 and 20 years, the same as that recently extended to Congo and Morocco. ■

MOZAMBIQUE

Donors pledge support

Donors pledged $1.2 bn in support of Mozambique's recovery programme for 1991, at a consultative group meeting in Paris in December. Some $400 mn of this is for debt relief — though 1991 obligations on long-term debt alone total $641 mn according to World Bank data — and $760 mn for projects and food and emergency relief.

The total pledged was in line with the government's minimum requirement, but officials were quoted as saying that many projects would still be underfunded. Prime Minister Mário da Graça Machungo has expressed deep concern over "the probable and drastic reduction" in assistance from the Soviet Union, amounting to some $200 mn a year, which would have a "dramatic" impact on the Mozambican economy. ■

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